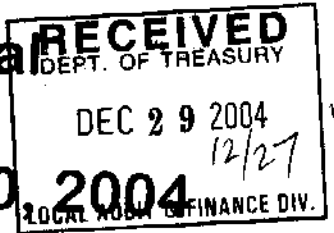


**Comprehensive Annual
Financial Report
For The Year Ended June 30**

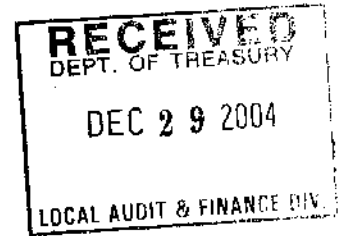


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City of Zeeland, Michigan

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
CITY OF ZEELAND, MICHIGAN
For the Fiscal Year Ended June 30, 2004



CITY COUNCIL

Lester Hoogland -- Mayor

Sally Gruppen

Allen Dannenberg

Dan VanOmmen

Kevin Klynstra

Jim Broersma

Nancy Curnick/

Richard VanDorp III (appointed July 1, 2004)

PREPARED BY
CITY OF ZEELAND FINANCE DEPARTMENT

INDEPENDENT AUDITOR
Kiekover, Scholma & Shumaker, PC
Zeeland, Michigan

City of Zeeland, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

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City of Zeeland, Michigan
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

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INTRODUCTORY SECTION

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Zeeland	County Ottawa
Audit Date 6/30/04	Opinion Date 10/14/04	Date Accountant Report Submitted to State: 12/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Accounting and Budgeting Act for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following: "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Kiekover, Scholma & Shumaker, PC			
Street Address 205 East Main Street	City Zeeland	State MI	ZIP 49464
Accountant Signature <i>Kiekover, Scholma & Shumaker, PC</i>		Date 12/21/04	

City of Zeeland

21 South Elm Street
Zeeland, Michigan 49464

(616) 772-0871
FAX (616) 772-0880

November 19, 2004

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Zeeland:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Zeeland for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City of Zeeland. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Zeeland has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Zeeland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Zeeland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Zeeland's financial statements have been audited by Kiekover, Scholma & Shumaker, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Zeeland for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Zeeland's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component section of this report.

GAAP requires that management provide a narrative introduction, overview and an analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Zeeland's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Zeeland, incorporated in 1907, is located in western Michigan, approximately 25 miles west of Grand Rapids. The population of Zeeland is 5,805 within the city's three square miles. Many more persons reside in numerous new housing developments surrounding the city. The strong work ethic is still evident in the quality work force in the area, and pride is apparent in the upkeep of homes and businesses. The city is empowered to levy a property tax on both real and personal property located within its boundaries.

The city operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council, which consists of a mayor and six-member council. The City Council is responsible, among other things, for setting policies, approving ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager and department heads are responsible for carrying out the policies and ordinances of the governing council. The mayor and council members are elected at large. Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected every two years to a two year term.

The City of Zeeland provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events; public improvements; planning; zoning and general administrative services. The Board of Public Works, which entails the Electric Utility Fund and Water Utility Fund is not a legally separate component unit, but is reported separately from governmental activities. These business-type activities are reported separately because they rely to a significant extent on fees and charges for support, whereas the governmental activities are normally supported by taxes and intergovernmental revenues. The City Council appoints its five member board and approves rates for user charges, their budget and any bond issuance authorizations. The legal liability for any general bonded debt remains with the city. The Electric Utility and Water Utility Funds are presented as a proprietary fund type. The Clean Water Utility Fund is directly controlled by the City Council and does not fall under the Board of Public Works. It is also reported as a proprietary fund type and combined under business-type activities. The Zeeland Building Authority is a blended component unit. Although a legally separate entity it is, in substance, part of the City's operations and is included as an integral part of the City of Zeeland's financial statements.

The annual budget serves as the foundation for the City of Zeeland's financial planning and control. All departments of the City of Zeeland are required to submit requests for appropriation to the city manager so that a budget may be prepared. On or before March 31, the proposed budget is presented by the city manager to the City Council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30. The appropriated budget is prepared by fund, function, department and activity (i.e. assessor, police patrol). Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity; however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated annual budget has been adopted. The budgetary comparison schedules for the General Fund, Major Street Fund, and Local Street Fund are presented in the required supplementary information subsection of this report, and can be found on pages 29 through 33.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Zeeland operates.

Local economy. The city is an industrial and commercial oriented community serving as a principal business, marketing and cultural center for the surrounding suburban and agricultural area. Industrial and commercial valuations comprise 51.5% of the city's ad valorem tax base of \$262,629,600. Additional tax base is provided from the industrial facilities tax on property valued at \$280,411,200 and levied at one-half the regular property tax rate. Zeeland's industrial composition is well diversified, with some 40 industries located within the corporate limits employing in excess of 5,500 persons. Included are such well-known corporations as Herman Miller, Inc., an international leader in the manufacturing of office systems furniture; Howard Miller Clock Company, one of the largest producers of grandfather clocks in the world; Gentex Corporation, a manufacturer of smoke detectors, alarm systems and automatic mirrors for automobiles; Mead Johnson & Company (Bristol-Myers), a large producer of nutritional infant formula; Woodward/FST, a manufacturer of fuel systems for gas turbine engines supplies to the airline industry; and Mirant Zeeland, LLC an electric generating plant with a 540-megawatt combined cycle turbine facility.

The City of Zeeland's primary commercial district (Downtown Zeeland) witnessed large scale rejuvenation with a complete reconstruction of the three primary blocks of the downtown. This project totaled \$2.3 million of street, electric, water and sanitary sewer improvements. As a result of the City's effort to rehabilitate its infrastructure, numerous buildings along Main Street also undertook façade improvements. It is estimated that over \$1 million in façade improvements were made by the private sector within the downtown area. Statistics also show that the retail vacancy rate in the downtown area currently stands at 3% whereas it was 11% in 2002.

Further enhancing the commercial sector of Zeeland is the development of a new commercial center at the corner of Washington and State Street (one block north of downtown). This particular development removed an old industrial facility and constructed a new 20,000 square foot commercial center. This is the first of many projects the City expects to see along the Washington Avenue Corridor which suffered a number of vacancies in 2002.

Much of the housing expansion in the City of Zeeland consists of condominium complexes. The Royal Park Community is a coordinated development including the single and duplex housing units of Parkside Villas, Royal Park Condominiums consisting of two and four unit homes, and Royal Park Place, a retirement condominium offering more than 200 independent and assisted living units for senior citizens. Contemporary and historic homes compliment these newer additions to the housing stock in the city.

Long-term financial planning. The City of Zeeland is currently working with Gentex Corporation on an important public/private partnership that will allow Gentex Corporation to build their new \$18 million+ Corporate Headquarters in the City of Zeeland. This new facility will benefit the City of Zeeland as well as the entire region. Roughly \$1.8 million in Community Development Block Grant Funds through the Michigan Economic Development Corporation have been secured to make infrastructure improvements. The City also received \$624,000 from the Michigan Department of Transportation to aid in financing the infrastructure improvements.

The City of Zeeland is currently talking with other local governments in this region to determine if it will benefit the City of Zeeland and the region to expand the Clean Water Plant and its clean water collection system.

The City of Zeeland has also authorized a Cemetery Feasibility Study to examine the need and/or location of any needed additional cemetery space.

The next major building construction for the City of Zeeland will be the construction of a new Street Maintenance Facility that will house the Streets and Motor Pool section of the Community Services Department. An architect has been hired for Phase I of the project which consists of preliminary planning and drawings.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, repurchase agreements, obligations of the U.S. Treasury and government agency obligations. The maturity of most investments was 5 years. Investment income includes appreciation or depreciation in the fair value of investments during the year. These increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The average yield on the City's investments for the year ended June 30, 2004 was negatively impacted by a decrease in the fair value of investments during the year of approximately \$735,000 and amounted to .37% (2.95% before any adjustment for changes in fair value). A significant portion of these decreases in fair value have been recovered subsequent to year-end.

The average yield for the City's defined benefit and defined contribution pension trusts was 8.9% and 14.2%, respectively. The pension trusts outperform the City's investments due to differences in investment regulations. Under Public Act 20 of the Michigan Compiled Laws, cities may only invest in certificates of deposit, commercial paper of investment grade and government agencies pools and obligations while the pension trusts may invest in a wider variety of investments including stocks and bonds as well as government agencies obligations.

Risk management. The city carries full multi-peril insurance coverage underwritten by the Michigan Municipal League Liability and Property Pool. Insurance coverage includes comprehensive general liability, bodily injury and property damage, limited liability public official's errors and omissions, and comprehensive automobile. The city is fully insured for workers compensation claims by coverage underwritten by the Michigan Municipal Workers Compensation Fund. In addition, the Electric Utility and Water Utility Funds carry commercial insurance coverage for general liability and property loss. Risk control techniques include the use of third party claims review and investigation, third party loss control services, and employee education and training programs.

The City accounts for its health care self insurance program in an Internal Service Fund and charges out to other funds their respective share of health care self insurance costs.

Additional information on the City of Zeeland's risk-management activity can be found in Note 4A of the notes to financial statements.

Pension and other postemployment benefits. Effective July 1, 2000, the city adopted a defined contribution pension plan. Existing eligible employees were given the option of transferring participation to the new plan or remaining participants in the city's defined benefit plan. All employees becoming eligible after July 1, 2000 participate in the city's defined contribution plan. In July 2000, \$2,025,132 was transferred from the defined benefit plan to the defined contribution plan to affect the transfer of account balances of the 39 participants electing participation electing participation in the new defined contribution plan. Each year, an independent actuary calculates the amount of the annual contribution that the City of Zeeland must make to the defined benefit plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

The City of Zeeland also provides postretirement health care benefits for retirees and their spouses. From retirement age to the age of 62, the retiree pays 100% of the health care costs for the spouse. The retiree and the spouse are included in City's self-funded insurance plan including prescription coverage. From the age of 62 to 65 the City pays 100% of the retirees' portion and 50% of the spouses. At age 65 the retiree is not eligible for inclusion in the City's health insurance plan, but the City will pay 100% of the retiree's AARP premium and 50% for the spouse. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these costs.

Additional information on the City of Zeeland's pension arrangements and postemployment benefits can be found in Notes 4C-E of the notes to financial statements.

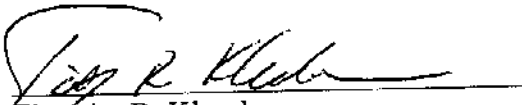
Awards and Acknowledgements

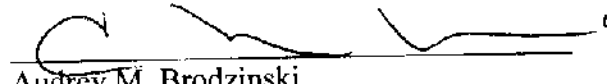
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Zeeland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the sixteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and the applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would also like to express our appreciation to all the employees of the city who assisted and contributed to this report. Credit must also be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Zeeland's finances.

Respectfully submitted,


Timothy R. Klunder
City Manager


Audrey M. Brodzinski
Finance Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Zeeland,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



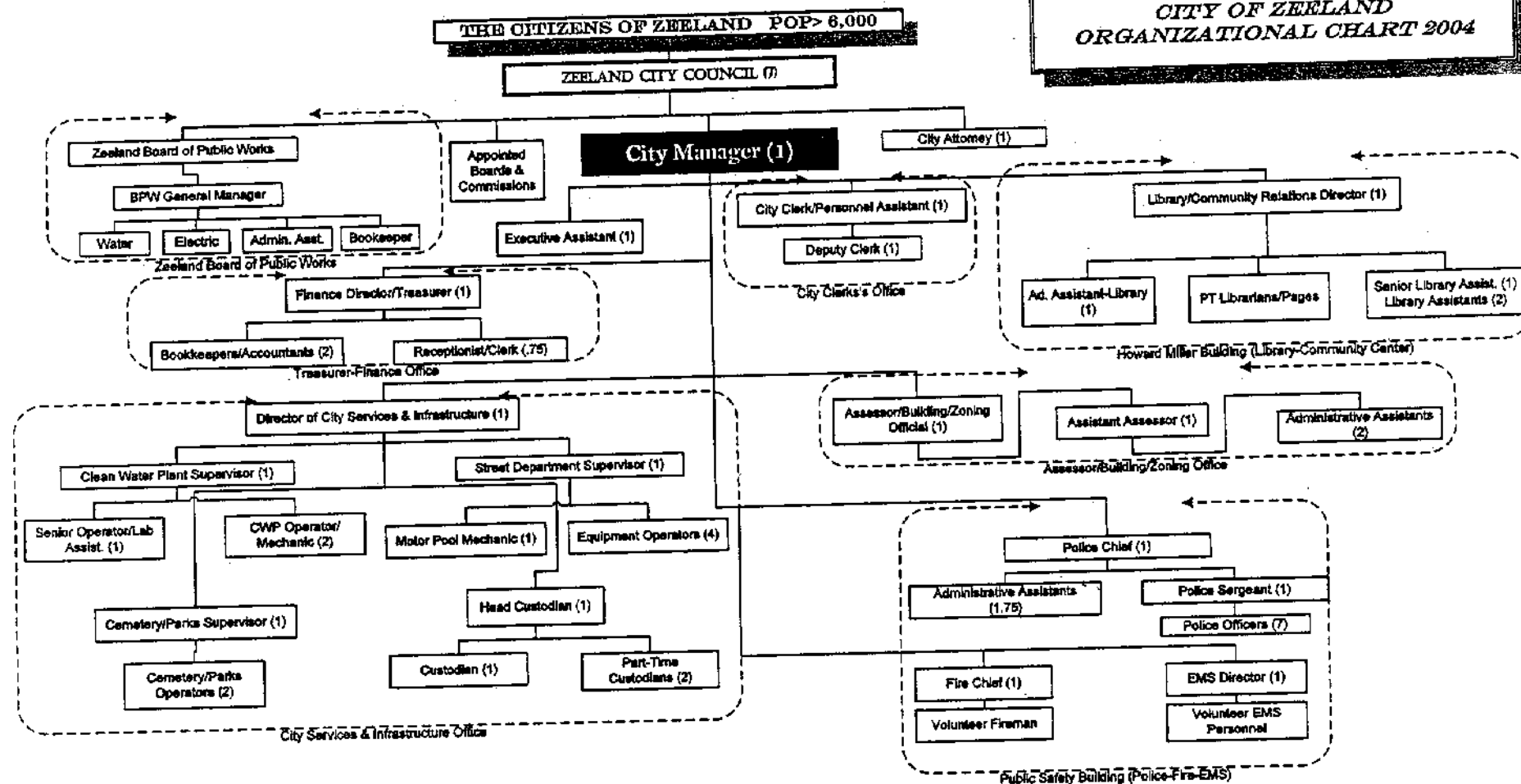
Nancy L. Ziehl

President

Jeffrey R. Enns

Executive Director

CITY OF ZEELAND ORGANIZATIONAL CHART 2004



City of Zeeland, Michigan
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2004

CITY COUNCIL

Mayor
Mayor Pro Tem
Councilman
Councilman
Councilman
Councilman
Councilman

Lester Hoogland
Sally Gruppen
Allen Dannengerg
Dan VanOmmen
Kevin Klynstra
Jim Broersma
Richard VanDorp III

ADMINISTRATION

City Manager
Board of Public Works General Manager
City Infrastructure Services Director
City Assessor/Building Official
City Attorney
City Clerk
Emergency Services Director
Finance Director
Fire Chief
Police Chief

Timothy R. Klunder
David Walters
Steve Hallock
Arthur D. Grimes
James Donkersloot
Nancy Tuls
Ted Vanden Brink
Audrey M. Brodzinski
William Gruppen
William Olney

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

October 14, 2004

Honorable Mayor and
Members of City Council
City of Zeeland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Zeeland, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Zeeland, Michigan, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4F, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages XI through XX and 29 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Zeeland, Michigan basic financial statements. The introductory section, combining nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kickover, Scholma & Shumaker, PC

Management's Discussion and Analysis

As management of the City of Zeeland Michigan, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I-VI of this report.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$76,568,450 (*net assets*). Of this amount, \$28,364,195 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$3,828,141. This increase was due to conservative budgetary policies as revenues and expenses remained static between FY 2003 and FY 2004. In the governmental activities a \$277,839 decrease in state shared and other revenues was offset by an increase of \$ 289,127 in property tax revenue. Expenses were less than revenues by \$864,124. It was the same in the business-type activities. Expenses were less than revenues by \$2,964,017.

As of the close of the current fiscal year, the City of Zeeland's governmental funds reported combined ending fund balances of \$4,507,450, a decrease of \$819,499 in comparison with the prior year. Approximately 75% of this, \$3,342,158, is *available for spending* at the City's discretion (*unreserved fund balance*).

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,791,087 or 35 % of total general fund expenditures and transfers out.

The City's total debt decreased by \$1,180,000 during the current fiscal year. This was a result of the City making its required scheduled debt service payments of \$1,360,000 while incurring \$180,000 in new debt obligations as a result of bond refunding activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Zeeland is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include electric, water and clean water operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two component units. The Brownfield Redevelopment Authority is a legally separate authority for which the City is financially accountable. The Authority had no assets as of June 30, 2004 and no activities for the year then ended. The City of Zeeland Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-three (23) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Streets, and Local Streets Funds. Each of these funds is considered to be a major fund. The City of Zeeland has twenty (20) nonmajor funds. These include special revenue funds, debt service funds, capital projects funds and one permanent fund. The permanent fund is used to record the activity of the Cemetery Trust. Data from the other twenty governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Major Streets and Local Streets Funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-6 of this report.

Proprietary funds. The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and clean water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle and equipment maintenance activities, building maintenance activities and health-care self-insurance. Because these services predominantly benefits governmental rather than business-type functions, the assets and liabilities of the internal service funds have been included within *governmental activities* in the government-wide statement of net assets.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, and Clean Water Utility Funds, all of which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The City accounts for two types of fiduciary funds - pension trust funds and agency funds.

The City of Zeeland has two pension trust funds which account for the activities of the City's defined benefit pension plan and defined contribution pension plan for eligible employees. In addition, the City maintains three agency funds to account for tax collections and related payments and the deduction and related payment of payroll related withholdings.

The basic fiduciary fund financial statements can be found on pages 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the City of Zeeland's budgetary comparison schedules for its three major funds - General Fund, Major Street Fund and Local Street Fund. Required supplementary information can be found on pages 29-33 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements can be found on pages 34-40 of this report.

Immediately following the combining statements is a statistical section, which provides certain information pertaining to general government revenues, expenditures, tax revenues and collections, demographics and other statistical data.

Government-wide Financial Analysis

Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Zeeland, assets exceeded liabilities by \$ 76,568,450 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (59%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$28,364,195) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City of Zeeland's Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 6,281,739	\$ 7,540,682	\$ 27,138,950	\$ 25,722,548	\$ 33,420,689	\$ 33,263,230
Capital assets	18,779,224	16,764,266	45,196,664	44,711,427	63,975,888	61,475,693
Total assets	25,060,963	24,304,948	72,335,614	70,433,975	97,396,577	94,738,923
Long-term debt outstanding	3,145,000	3,270,000	15,380,000	15,375,000	18,525,000	18,645,000
Other liabilities	314,017	297,126	1,989,110	3,056,488	2,303,127	3,353,614
Total liabilities	3,459,017	3,567,126	17,369,110	18,431,488	20,828,127	21,998,614
Net assets:						
Invested in capital assets,						
net of related debt	15,634,224	13,494,266	29,816,664	28,276,427	45,450,888	41,770,693
Restricted	1,103,472	1,047,786	1,649,895	1,824,232	2,753,367	2,872,018
Unrestricted	4,864,250	6,195,770	23,499,945	21,901,828	28,364,195	28,097,598
Total net assets	\$ 21,601,946	\$ 20,737,822	\$ 54,966,504	\$ 52,002,487	\$ 76,568,450	\$ 72,740,309

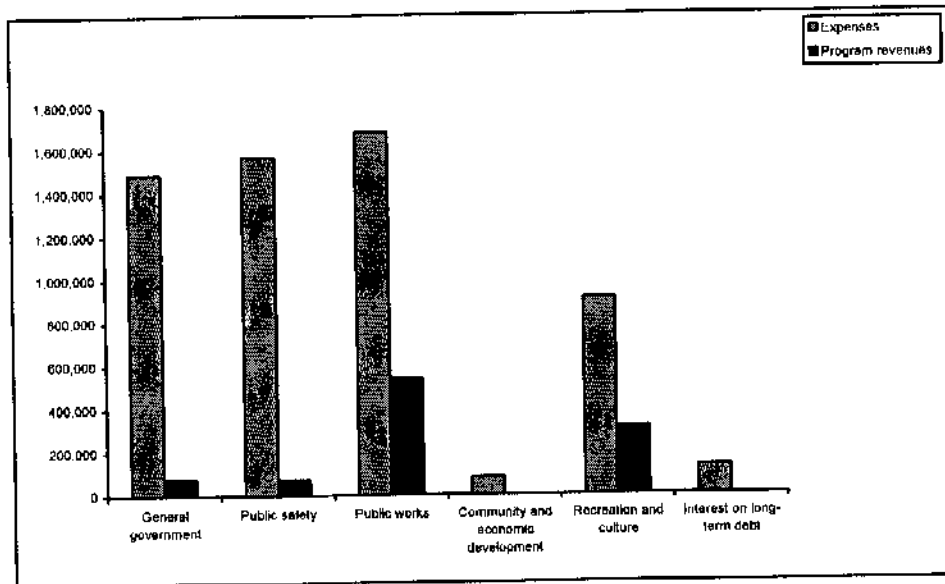
Change in Net Assets - The City of Zeeland's net assets increased by \$3,828,141 during the current fiscal year. 23% of this increase is related to the governmental activities. The other 77% is associated with the business-type activities.

City of Zeeland's Changes in Net Assets

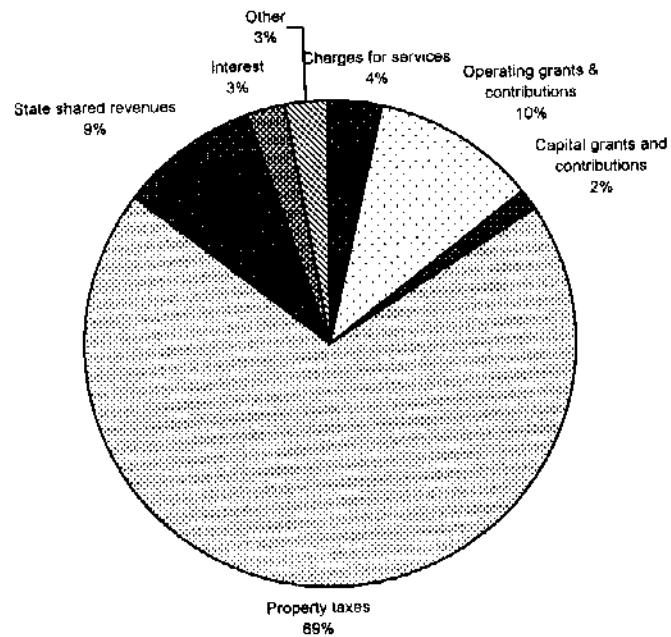
	Governmental		Business-Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Program revenues						
Charges for services	\$ 233,928	\$ 202,093	\$ 20,221,062	\$ 20,291,797	\$ 20,454,990	\$ 20,493,890
Operating grants and contributions	688,041	687,884	-	-	688,041	687,884
Capital grants and contributions	101,079	216,660	407,909	323,117	508,988	539,777
General revenues						
Property taxes	4,412,908	4,123,781	-	-	4,412,908	4,123,781
State shared revenues	578,090	745,664	-	-	578,090	745,664
Interest	161,918	192,169	58,342	550,719	220,260	742,888
Other	181,143	200,144	82,274	(191,228)	263,417	8,916
Total revenues	<u>6,357,107</u>	<u>6,368,395</u>	<u>20,769,587</u>	<u>20,974,405</u>	<u>27,126,694</u>	<u>27,342,800</u>
Program expenses						
General government	1,491,032	1,167,596	-	-	1,491,032	1,167,596
Public safety	1,569,481	1,425,273	-	-	1,569,481	1,425,273
Public works	1,678,934	1,414,933	-	-	1,678,934	1,414,933
Community and economic development	81,503	87,308	-	-	81,503	87,308
Recreation and culture	911,645	999,616	-	-	911,645	999,616
Interest on long-term debt	132,072	161,393	-	-	132,072	161,393
Electric	-	-	13,623,753	13,528,626	13,623,753	13,528,626
Water	-	-	2,639,329	2,568,071	2,639,329	2,568,071
Clean water	-	-	1,200,559	1,148,079	1,200,559	1,148,079
Total expenses	<u>5,864,667</u>	<u>5,256,119</u>	<u>17,463,641</u>	<u>17,244,776</u>	<u>23,328,308</u>	<u>22,500,895</u>
Change before contributions and transfers	492,440	1,112,276	3,305,946	3,729,629	3,798,386	4,841,905
Contributions to permanent funds	29,755	38,815	-	-	29,755	38,815
Transfers in (out)	<u>341,929</u>	<u>346,704</u>	<u>(341,929)</u>	<u>(346,704)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>\$ 864,124</u>	<u>\$ 1,497,795</u>	<u>\$ 2,964,017</u>	<u>\$ 3,382,925</u>	<u>\$ 3,828,141</u>	<u>\$ 4,880,720</u>

Governmental activities. Governmental activities increased the City's net assets by \$864,124 accounting for 23% of the total growth in the net assets of the City. Property taxes increased by \$289,127 (7%) from the prior year. This increase was the result of increased taxable values that allowed the City of Zeeland to increase its property tax revenues even after a reduction in its tax rate of .9998 mills. This increase in property tax revenue was offset by decreases in State shared revenues and capital grants, resulting in overall revenue decrease of \$11,288 compared to the prior year. Governmental activities expenses were \$608,548 greater than the prior year reflecting the increased demand for government services and the increasing costs of health care and depreciation charges due to the City's recent investment in capital assets.

Expenses and Program Revenues – Governmental Activities

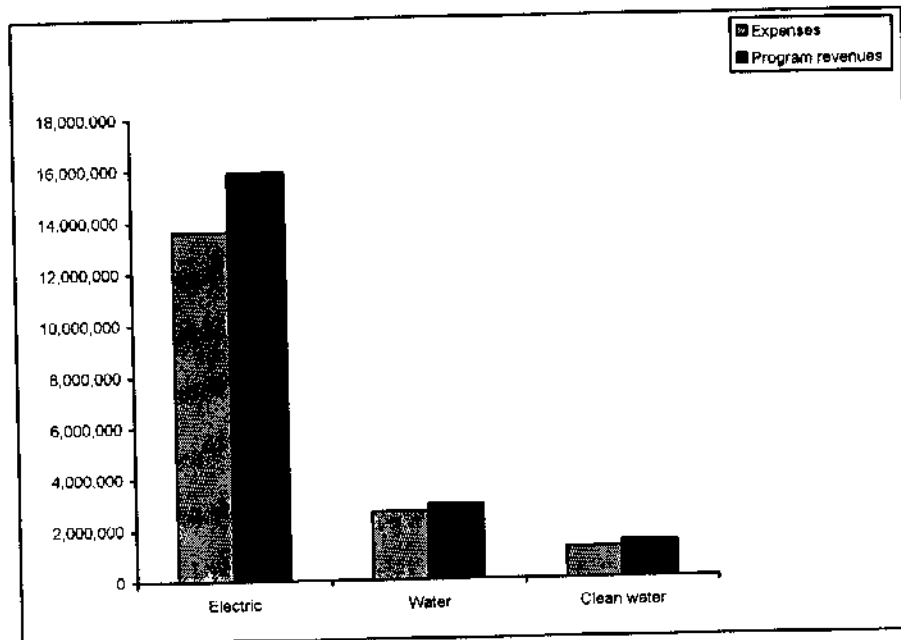


Revenues by Source – Governmental Activities

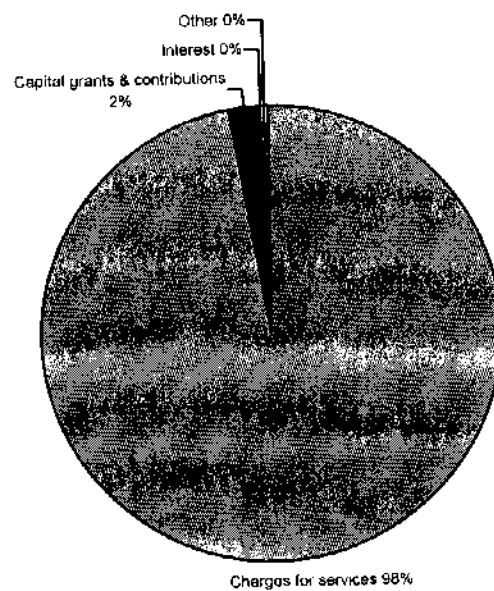


Business-type activities. Business-type activities increased the City of Zeeland's net assets by \$2,964,017 (77%) as the result of budgetary policy. Revenues and expenses remained basically static between the two years.

Expenses and Program Revenues-Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,507,450, a decrease of \$819,499 from the prior year. Approximately 74% of this amount (\$3,342,158) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed (1) for prepaid items that will be used in the following year (\$31,693), (2) to pay debt service (\$99,241), (3) for purposes related to the library (\$22,226), and (4) for the maintenance of the City of Zeeland's cemetery (\$411,469 non-expendable and \$600,663 expendable).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year unreserved fund balance of the General Fund was \$1,791,087, while total fund balance was \$1,822,780. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance (\$1,791,087) represents 35% of total General Fund expenditures and transfers out (\$5,128,493).

The fund balance of the City's General Fund increased by \$395,822 during the current fiscal year. Total revenue sources increased by \$898,902 or 21.1%. Property taxes increased by \$921,487 or 28.0%. Of this increase, \$611,036 is the result of moving one mill of property tax levy from the Major Street Fund to the General Fund in 2004. State shared revenues decreased by \$167,574 or 22.5%. General Fund expenditures increased by \$246,036 or 8.4%, while transfers out to other funds increased by \$268,348 or 15.9%.

The Major Street Fund has a total fund balance of \$366,539, a decrease of \$796,438 during the year. Total revenues decreased by \$860,078 due mainly to the elimination of a dedicated property tax millage and reduction in contributions received from other governmental units. Net transfers in from the General Fund increased by \$656,070. Major Street Fund expenditures increased by \$1,373,932, mainly due to expenditures for the City's Main Street Shopping Area street reconstruction.

The Local Street Fund has a fund balance of \$142,133, a decrease of \$86,873 during the year. Total revenue increased by \$8,624, while transfers in decreased by \$176,500 from the prior year. Expenditures decreased by \$159,405 from the prior year mainly due to a decrease in street construction activity during 2004.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities), but in more detail.

Unrestricted net assets of the Electric, Water and Clean Water Utility Funds at the end of the year amounted to \$17,625,236, \$2,372,825 and \$3,373,994, respectively. Increases in the Electric, Water, and Clean Water Utility Funds net assets during the current year were \$2,254,068, \$434,207 and \$268,889, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The differences between the original and final amended budgets for expenditures and transfers out amounted to \$158,427. A nonmajor fund, the Legal Contingency Fund, required an additional \$60,000 transfer to offset unanticipated legal expenses involving a tax case and a building inspection matter. Another nonmajor fund, the City Building Fund, required a \$104,000 increase due to the decision to purchase a building not reflected in the original budget. A reduction in the transfer out to another nonmajor fund, the Library Fund and to a major fund, the Local Streets Fund, offset the increase in General Fund expenditures of approximately \$100,000 occurring in several departments.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$63,975,888 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, and street and sidewalks. The total increase in the City's investment in capital assets for the current fiscal year was \$2,014,958 (12.0%) for governmental activities and \$485,237 (1.1%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$1,479,000 expended for the City's Main Street Shopping Area street reconstruction
- \$761,000 purchase of a Pierce Aerial Platform Fire Apparatus in the City's Motor Pool Fund
- \$247,000 purchase of machinery and vehicles in the City's Motor Pool Fund
- \$257,000 acquisition of real property for future City needs
- \$30,000 to install a fiber optic system
- \$74,000 on technology upgrades to computer equipment
- \$2,625,000 additions to the Electric, Water and Clean Water systems

Additional information on the City's capital assets can be found in note 3C on pages 20-21 of this report.

City of Zeeland's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,031,055	\$ 851,157	\$ 870,286	\$ 808,433	\$ 1,901,341	\$ 1,659,590
Construction in progress	188,745	-	616,587	196,332	805,332	196,332
Land improvements	227,520	251,885	141,015	159,042	368,535	410,927
Buildings and improvements	7,332,811	7,438,687	2,386,053	2,473,651	9,718,864	9,912,338
Systems	-	-	40,926,621	40,728,609	40,926,621	40,728,609
Machinery, equipment, vehicles	2,134,385	1,214,405	256,102	345,360	2,390,487	1,559,765
Infrastructure	7,864,708	7,008,132	-	-	7,864,708	7,008,132
Total	\$ 18,779,224	\$ 16,764,266	\$ 45,196,664	\$ 44,711,427	\$ 63,975,888	\$ 61,475,693

Long-term debt. At the end of the current fiscal year, the City had total installment debt outstanding of \$18,525,000. Of this amount, \$3,145,000 comprises debt backed by the full faith and credit of the government (including \$150,000 of Michigan Transportation Bonds). The remainder of the City's debt represents bonds secured by specified revenue sources.

City of Zeeland's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 2,995,000	\$ 3,085,000	\$ -	\$ -	\$ 2,995,000	\$ 3,085,000
Michigan transportation bonds	150,000	185,000	-	-	150,000	185,000
Revenue bonds	-	-	15,380,000	16,435,000	15,380,000	16,435,000
Total	\$ 3,145,000	\$ 3,270,000	\$ 15,380,000	\$ 16,435,000	\$ 18,525,000	\$ 19,705,000

General obligation debt decreased by a net amount of \$125,000 during the current year. This was a result of the City making its required scheduled debt payments of \$230,000 while incurring \$105,000 in new debt as a result of refunding previously outstanding Library bonds. This refunding is expected to reduce future debt service payments by approximately \$136,000.

Revenue bond debt decreased by a net of \$1,055,000 during the current year. This was a result of the City making its required scheduled debt service payments of \$1,130,000 while incurring new \$75,000 in new debt as a result of refunding previously outstanding Electric Utility bonds. This refunding is expected to reduce future debt service payments by approximately \$357,000.

State statutes limit the amount of general obligation debt the City may issue to 10 percent of the state equalized value of taxable property in the City. The current debt limitation for the City is \$26,262,960, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E on pages 23-24 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2004-2005 fiscal year:

During the current fiscal year, unreserved fund balance in the General Fund increased to \$1,791,087. The City of Zeeland has appropriated \$242,950 of this amount for spending in the 2004-2005 fiscal year budget. It is intended that this use of fund balance will avoid the need to raise taxes or charges during the 2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, 21 South Elm Street, Zeeland, MI 49464.

**Basic
Financial Statements**

City of Zeeland, Michigan
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and investments	\$ 6,023,839	\$ 20,745,756	\$ 26,769,595
Receivables:			
Accounts	156,593	1,975,962	2,132,555
Special assessments	9,221	-	9,221
Due from other governments	113,477	-	113,477
Internal balances	(127,890)	127,890	-
Inventories	-	322,533	322,533
Prepaid items	106,499	2,316,914	2,423,413
Restricted cash - revenue bond covenant accounts	-	1,649,895	1,649,895
Capital assets	<u>18,779,224</u>	<u>45,196,664</u>	<u>63,975,888</u>
Total Assets	<u>25,060,963</u>	<u>72,335,614</u>	<u>97,396,577</u>
LIABILITIES			
Accounts payable	263,767	1,808,485	2,072,252
Accrued payroll	20,078	19,252	39,330
Accrued interest payable	30,172	161,373	191,545
Noncurrent liabilities:			
Due within one year	230,000	1,140,000	1,370,000
Due in more than one year	<u>2,915,000</u>	<u>14,240,000</u>	<u>17,155,000</u>
Total Liabilities	<u>3,459,017</u>	<u>17,369,110</u>	<u>20,828,127</u>
NET ASSETS			
Invested in capital assets, net of related debt	15,634,224	29,816,664	45,450,888
Restricted for:			
Library	22,226	-	22,226
Debt service	69,114	1,649,895	1,719,009
Perpetual care-nonexpendable	411,469	-	411,469
Perpetual care-expendable	600,663	-	600,663
Unrestricted	<u>4,864,250</u>	<u>23,499,945</u>	<u>28,364,195</u>
Total Net Assets	<u>\$ 21,601,946</u>	<u>\$ 54,966,504</u>	<u>\$ 76,568,450</u>

City of Zeeland, Michigan
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Function/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,491,032	\$ 72,949	\$ 2,128	\$ -
Public safety	1,569,481	72,281	790	-
Public works	1,678,934	12,383	428,066	101,079
Community and economic development	81,503	18,495	-	-
Recreation and culture	911,645	57,820	257,057	-
Interest on long-term debt	132,072	-	-	-
Total Governmental Activities	<u>5,864,667</u>	<u>233,928</u>	<u>688,041</u>	<u>101,079</u>
Business-type activities:				
Electric	13,623,753	15,903,445	-	234,492
Water	2,639,329	2,911,415	-	135,531
Clean water	1,200,559	1,406,202	-	37,886
Total Business-type Activities	<u>17,463,641</u>	<u>20,221,062</u>	<u>-</u>	<u>407,909</u>
Total Primary Government	<u>\$ 23,328,308</u>	<u>\$ 20,454,990</u>	<u>\$ 688,041</u>	<u>\$ 508,988</u>
		General revenues:		
		Property taxes		
		State shared revenues		
		Interest		
		Gain on sale of capital assets		
		Other		
		Contributions to permanent funds		
		Transfers		
		Total General Revenues		
		Change in Net Assets		
		Net Assets - Beginning		
		Net Assets - Ending		

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,415,955)	\$ -	\$ (1,415,955)
(1,496,410)	-	(1,496,410)
(1,137,406)	-	(1,137,406)
(63,008)	-	(63,008)
(596,768)	-	(596,768)
(132,072)	-	(132,072)
<u>(4,841,619)</u>	<u>-</u>	<u>(4,841,619)</u>
-	2,514,184	2,514,184
-	407,617	407,617
-	<u>243,529</u>	<u>243,529</u>
-	<u>3,165,330</u>	<u>3,165,330</u>
<u>(4,841,619)</u>	<u>3,165,330</u>	<u>(1,676,289)</u>
4,412,908	-	4,412,908
578,090	-	578,090
161,918	58,342	220,260
79,719	17,871	97,590
101,424	64,403	165,827
29,755	-	29,755
<u>341,929</u>	<u>(341,929)</u>	<u>-</u>
<u>5,705,743</u>	<u>(201,313)</u>	<u>5,504,430</u>
864,124	2,964,017	3,828,141
<u>20,737,822</u>	<u>52,002,487</u>	<u>72,740,309</u>
<u>\$ 21,601,946</u>	<u>\$ 54,966,504</u>	<u>\$ 76,568,450</u>

City of Zeeland, Michigan
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,761,287	\$ 410,752	\$ 146,700	\$ 2,246,609	\$ 4,565,348
Receivables:					
Accounts	2,162	345	-	15,541	18,048
Special assessments	-	-	-	9,221	9,221
Due from other governments	113,477	-	-	-	113,477
Prepaid items	31,693	-	-	-	31,693
Total Assets	\$ 1,908,619	\$ 411,097	\$ 146,700	\$ 2,271,371	\$ 4,737,787
LIABILITIES					
Accounts payable	\$ 72,923	\$ 43,179	\$ 3,311	\$ 83,054	\$ 202,467
Accrued payroll	12,916	1,379	1,256	3,098	18,649
Deferred revenue	-	-	-	9,221	9,221
Total Liabilities	85,839	44,558	4,567	95,373	230,337
FUND BALANCES					
Reserved:					
Prepaid items	31,693	-	-	-	31,693
Library	-	-	-	22,226	22,226
Debt service	-	-	-	99,241	99,241
Perpetual care-nonexpendable	-	-	-	411,469	411,469
Perpetual care-expendable	-	-	-	600,663	600,663
Unreserved-reported in:					
General Fund	1,791,087	-	-	-	1,791,087
Special Revenue Funds	-	366,539	142,133	388,700	897,372
Debt Service Funds	-	-	-	3,123	3,123
Capital Projects Funds	-	-	-	650,576	650,576
Total Fund Balances	1,822,780	366,539	142,133	2,175,998	4,507,450
Total Liabilities and Fund Balances	\$ 1,908,619	\$ 411,097	\$ 146,700	\$ 2,271,371	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
General capital assets	8,966,677
Infrastructure assets	8,053,453
Prepaid items	74,806
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	9,221
Interest accrued on outstanding bonds is not reported in the funds	(30,172)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(3,145,000)
Internal Service Funds are included as part of governmental activities	3,165,511
Net Assets of Governmental Activities	\$ 21,601,946

City of Zeeland, Michigan
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General Fund	Major Street Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,210,780	\$ -	\$ -	\$ 202,128	\$ 4,412,908
Licenses and permits	103,610	-	-	-	103,610
Federal grants	-	-	-	46,416	46,416
State shared revenues	578,090	303,427	124,639	15,344	1,021,500
Local unit contributions	-	-	-	222,951	222,951
Charges for services	55,403	3,776	1,932	71,071	132,182
Fines and forfeitures	36,222	-	-	20,013	56,235
Interest and rent	103,664	10,919	5,266	44,190	164,039
Other	68,544	60	4,632	81,646	154,882
Total Revenues	<u>5,156,313</u>	<u>318,182</u>	<u>136,469</u>	<u>703,759</u>	<u>6,314,723</u>
Expenditures:					
Current:					
General government	1,033,348	-	-	122,774	1,156,122
Public safety	1,171,332	-	-	-	1,171,332
Public works	175,482	1,804,324	242,714	434,499	2,657,019
Community and economic development	58,176	-	-	13,985	72,161
Recreation and culture	112,213	-	-	532,265	644,478
Insurance, bonds, and fringes	617,464	43,366	48,128	98,129	807,087
Capital outlay	-	-	-	596,122	596,122
Debt service					
Principal	-	-	-	230,000	230,000
Interest	-	-	-	131,195	131,195
Bond issuance costs	-	-	-	59,954	59,954
Total Expenditures	<u>3,168,015</u>	<u>1,847,690</u>	<u>290,842</u>	<u>2,218,923</u>	<u>7,525,470</u>
Excess of Revenues Over (Under) Expenditures	<u>1,988,298</u>	<u>(1,529,508)</u>	<u>(154,373)</u>	<u>(1,515,164)</u>	<u>(1,210,747)</u>
Other Financing Sources (Uses):					
Operating transfers in	368,002	997,670	67,500	1,193,208	2,626,380
Operating transfers out	(1,960,478)	(264,600)	-	(88,573)	(2,313,651)
Refunding bonds issued	-	-	-	1,648,950	1,648,950
Payment to refunding bond escrow agent	-	-	-	(1,570,431)	(1,570,431)
Total Other Financing Sources (Uses)	<u>(1,592,476)</u>	<u>733,070</u>	<u>67,500</u>	<u>1,183,154</u>	<u>391,248</u>
Net Change in Fund Balances	395,822	(796,438)	(86,873)	(332,010)	(819,499)
Fund Balances - July 1	<u>1,426,958</u>	<u>1,162,977</u>	<u>229,006</u>	<u>2,508,008</u>	<u>5,326,949</u>
Fund Balances - June 30	<u>\$ 1,822,780</u>	<u>\$ 366,539</u>	<u>\$ 142,133</u>	<u>\$ 2,175,998</u>	<u>\$ 4,507,450</u>

City of Zeeland, Michigan
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances-Total Governmental Funds \$ (819,499)

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	541,447
Current year capital outlays capitalized - infrastructure capital assets	1,824,697
Current year depreciation expense on capitalized assets	(1,190,164)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not recorded in the funds until collected or collectible within 60 days of year end (8,701)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Refunding bonds issued	(1,630,000)
Bonds defeased	1,525,000
Deferred loss/issuance costs/premiums on bond refunding	86,435
Amortization of deferred bond refunding loss/issuance costs/premiums	(11,629)
Principal payments on long-term debt	230,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due 10,752

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment rental, to individual funds. The net revenue (expenses) of certain internal service funds is reported with governmental activities 305,786

Change in net assets of governmental activities \$ 864,124

City of Zeeland, Michigan
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
ASSETS					
Current Assets:					
Cash and investments	\$ 15,269,743	\$ 2,229,250	\$ 3,246,763	\$ 20,745,756	\$ 1,458,491
Receivables:					
Accounts	1,523,058	298,151	154,753	1,975,962	138,545
Inventories	268,893	53,640	-	322,533	-
Prepaid items	2,253,581	63,333	-	2,316,914	-
Total Current Assets	<u>19,315,275</u>	<u>2,644,374</u>	<u>3,401,516</u>	<u>25,361,165</u>	<u>1,597,036</u>
Noncurrent Assets:					
Restricted cash:					
Revenue bond covenant accounts	663,000	986,895	-	1,649,895	-
Capital assets	<u>21,987,787</u>	<u>15,500,117</u>	<u>7,708,760</u>	<u>45,196,664</u>	<u>1,759,094</u>
Total Noncurrent Assets	<u>22,650,787</u>	<u>16,487,012</u>	<u>7,708,760</u>	<u>46,846,559</u>	<u>1,759,094</u>
Total Assets	<u>41,966,062</u>	<u>19,131,386</u>	<u>11,110,276</u>	<u>72,207,724</u>	<u>3,356,130</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	1,630,003	154,195	24,287	1,808,485	61,300
Accrued payroll	12,576	3,441	3,235	19,252	1,429
Accrued interest payable	47,460	113,913	-	161,373	-
Current portion of long-term debt	<u>660,000</u>	<u>480,000</u>	<u>-</u>	<u>1,140,000</u>	<u>-</u>
Total Current Liabilities	<u>2,350,039</u>	<u>751,549</u>	<u>27,522</u>	<u>3,129,110</u>	<u>62,729</u>
Long-term debt, net of current portion	<u>5,305,000</u>	<u>8,935,000</u>	<u>-</u>	<u>14,240,000</u>	<u>-</u>
Total Liabilities	<u>7,655,039</u>	<u>9,686,549</u>	<u>27,522</u>	<u>17,369,110</u>	<u>62,729</u>
NET ASSETS					
Invested in capital assets, net of related debt	16,022,787	6,085,117	7,708,760	29,816,664	1,759,094
Restricted for debt service	663,000	986,895	-	1,649,895	-
Unrestricted	<u>17,625,236</u>	<u>2,372,825</u>	<u>3,373,994</u>	<u>23,372,055</u>	<u>1,534,307</u>
Total Net Assets	<u>\$ 34,311,023</u>	<u>\$ 9,444,837</u>	<u>\$ 11,082,754</u>	<u>54,838,614</u>	<u>\$ 3,293,401</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds				<u>127,890</u>	
Net assets of business-type activities				<u>\$ 54,966,504</u>	

City of Zeeland, Michigan
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Operating Revenues:					
Electric sales	\$ 15,868,080	\$ -	\$ -	\$ 15,868,080	\$ -
Water sales	-	2,903,301	-	2,903,301	-
Sewage disposal charges	-	-	1,403,136	1,403,136	-
Charges for services	-	-	-	-	1,627,307
Other revenues	35,365	8,114	3,066	46,545	7,878
Total Operating Revenues	15,903,445	2,911,415	1,406,202	20,221,062	1,635,185
Operating Expenses:					
Electric production and purchases	10,039,757	-	-	10,039,757	-
Water production and purchases	-	1,010,960	-	1,010,960	-
Waste treatment	-	-	533,805	533,805	-
Transmission and distribution	1,369,458	307,701	92,392	1,769,551	-
Customer accounts	235,887	118,821	80,132	434,840	-
Supplies and other operating expenses	-	-	-	-	1,259,600
General and administrative	387,248	145,908	160,601	693,757	12,746
Depreciation	1,356,548	583,353	334,970	2,274,871	160,240
Total Operating Expenses	13,388,898	2,166,743	1,201,900	16,757,541	1,432,586
Operating Income (Loss)	2,514,547	744,672	204,302	3,463,521	202,599
Nonoperating Revenues (Expenses)					
Interest income	48,259	(2,515)	12,598	58,342	28,176
Interest expense	(239,026)	(473,927)	-	(712,953)	-
Gain (loss) on sale of capital assets	17,425	446	-	17,871	52,664
Other	20,300	30,000	14,103	64,403	-
Total Nonoperating Revenues (Expenses)	(153,042)	(445,996)	26,701	(572,337)	80,840
Income Before Contributions and Transfers	2,361,505	298,676	231,003	2,891,184	283,439
Capital contributions	234,492	135,531	37,886	407,909	-
Transfers in	-	-	-	-	46,200
Transfers out	(341,929)	-	-	(341,929)	(17,000)
Change in Net Assets	2,254,068	434,207	268,889	2,957,164	312,639
Net Assets - July 1	32,056,955	9,010,630	10,813,865		2,980,762
Net Assets - June 30	\$ 34,311,023	\$ 9,444,837	\$ 11,082,754		\$ 3,293,401
Adjustment to reflect the consolidation of internal service funds activities to enterprise funds				6,853	
Change in net assets of business-type activities				\$ 2,964,017	

City of Zeeland, Michigan
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds				Internal Service Funds
	Electric Utility	Water Utility	Clean Water Utility	Total	
Cash Flows From Operating Activities:					
Receipts from customers	\$ 15,785,876	\$ 2,941,753	\$ 1,448,107	\$ 20,175,736	\$ -
Payments to suppliers	(10,963,555)	(1,306,056)	(579,496)	(12,849,107)	(1,247,042)
Payments to employees	(959,048)	(293,914)	(291,501)	(1,544,463)	(146,738)
Received from interfund charges	-	-	-	-	1,627,307
Other receipts (payments)	20,300	30,000	14,103	64,403	7,878
Net Cash Provided By Operating Activities	3,883,573	1,371,783	591,213	5,846,569	241,405
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	(341,929)	-	-	(341,929)	29,200
Cash Flows From Capital and Related Financing Activities:					
Capital contributions	234,492	135,531	37,886	407,909	-
Acquisition and construction of capital assets	(1,845,588)	(660,700)	(273,055)	(2,779,343)	(1,008,984)
Principal paid on capital debt	(665,000)	(465,000)	-	(1,130,000)	-
Interest paid on capital debt	(176,192)	(467,643)	-	(643,835)	-
Deposit to escrow account for defeasance of debt	(122,997)	-	-	(122,997)	-
Proceeds from sale of capital assets	35,906	1,202	-	37,108	62,430
Net Cash Provided (Used) By Capital and Related Financing Activities	(2,539,379)	(1,456,610)	(235,169)	(4,231,158)	(946,554)
Cash Flows From Investing Activities:					
Interest received on investments	48,259	(2,515)	12,598	58,342	28,176
Net Increase (Decrease) in Cash and Investments	1,050,524	(87,342)	368,642	1,331,824	(647,773)
Cash and Investments - July 1	14,882,219	3,303,487	2,878,121	21,063,827	2,106,264
Cash and Investments - June 30	\$ 15,932,743	\$ 3,216,145	\$ 3,246,763	\$ 22,395,651	\$ 1,458,491
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Operating income (loss)	\$ 2,514,547	\$ 744,672	\$ 204,302	\$ 3,463,521	\$ 202,599
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,356,548	583,353	334,970	2,274,871	160,240
Other operating income (expense)	20,300	30,000	14,103	64,403	-
Change in assets and liabilities:					
Receivables	(117,569)	30,338	41,905	(45,326)	(138,545)
Inventories	75,413	(295)	-	75,118	-
Prepaid items	(10,968)	-	-	(10,968)	-
Accounts payable	91,739	(9,115)	3,454	86,078	3,451
Accrued and other liabilities	(46,437)	(7,170)	(7,521)	(61,128)	13,660
Net Cash Provided By Operating Activities	\$ 3,883,573	\$ 1,371,783	\$ 591,213	\$ 5,846,569	\$ 241,405
Cash and investments:					
Cash and investments	\$ 15,269,743	\$ 2,229,250	\$ 3,246,763	\$ 20,745,756	\$ 1,458,491
Revenue bond covenant accounts	663,000	986,895	-	1,649,895	-
	\$ 15,932,743	\$ 3,216,145	\$ 3,246,763	\$ 22,395,651	\$ 1,458,491

Noncash capital financing activities:

As more fully described in note 3E (Advance Refunding-1994 Electric Revenue Bonds) the Electric Utility Fund issued bonds to refund debt issued in 1994. Net proceeds of \$4,180,116 were deposited into an irrevocable trust for the defeasance of \$4,155,000 of outstanding bonds.

City of Zeeland, Michigan
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Defined Benefit Pension Trust Fund	Defined Contribution Pension Trust Fund	Agency Funds
ASSETS			
Cash and investments	\$ 5,515	\$ -	\$ 87,168
Investments:			
Money market funds	152,163	103,791	-
U.S. government securities	1,342,000	-	-
Stocks	2,398,401	-	-
Bonds	264,464	-	-
Mutual funds	1,006	1,571,596	-
Accrued interest receivable	19,399	-	-
Accounts receivable	-	19,865	-
Taxes receivable	-	-	353,694
Total Assets	<u>4,182,948</u>	<u>1,695,252</u>	<u>\$ 440,862</u>
LIABILITIES			
Accounts payable	-	-	\$ 19,680
Customer deposits	-	-	65,328
Due to other governments	-	-	255,854
Total Liabilities	-	-	<u>\$ 340,862</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$ 4,182,948</u>	<u>\$ 1,695,252</u>	

City of Zeeland, Michigan
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	Defined Benefit Pension Trust Fund	Defined Contribution Pension Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 187,332	\$ 160,348
Investment earnings:		
Net appreciation in fair value of investments	270,752	212,650
Interest	25,986	-
Dividends	77,535	-
Net Investment Earnings	<u>374,273</u>	<u>212,650</u>
Total Additions	<u>561,605</u>	<u>372,998</u>
DEDUCTIONS		
Benefit payments	194,254	24,056
Administrative expense	29,991	-
Total Deductions	<u>224,245</u>	<u>24,056</u>
Change in Net Assets	337,360	348,942
Net Assets - July 1	<u>3,845,588</u>	<u>1,346,310</u>
Net Assets - June 30	<u>\$ 4,182,948</u>	<u>\$ 1,695,252</u>

City of Zeeland, Michigan
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Zeeland conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Zeeland:

A. Reporting Entity

The City of Zeeland is governed by an elected mayor and six-member council. The accompanying financial statements present the city and its component units, entities for which the city is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the city's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Unit. The Zeeland Building Authority has a three member board that is appointed by the City Council. During 1991, the Building Authority issued limited tax general obligation bonds to finance a part of the cost of the acquisition and construction of improvements of two existing downtown parking lots. The city has entered into a long-term lease with the authority for the use of these facilities. The city established special assessment districts and will levy an annual operating millage to finance the operations of the authority. During 1998, the Building Authority issued limited tax general obligation bonds to finance additions and improvements to city hall and the construction of a storage building at the street department. The city has entered into a long-term lease with the authority for the project. The city is required to provide annually sufficient monies from its general funds for the payment of the outstanding bonds.

Discretely Presented Component Unit. The city has no discretely presented component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. (The City of Zeeland has no such component units.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Other revenue is recorded when received.

The city reports the following major governmental funds:

General Fund - The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Street Funds - The Major Street and Local Street Funds account for the resources of state gas and weight taxes that are restricted for use on major and local streets. They also account for monies received from special taxes levied for street improvement purposes and for monies received from General Fund contributions.

The city reports the following major proprietary funds:

Electric Utility Fund - This fund is used to account for the electric utility sales and costs associated with the generation, purchase, transmission and distribution of electricity.

Water Utility Fund - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Holland Board of Public Works for storage and distribution to Zeeland's customers.

Clean Water Utility Fund - This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the government reports the following fund types:

Governmental Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

Debt Service Funds - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Funds - Capital Project Funds are used to account for resources accumulated for the acquisition or construction of specific capital projects or items.

Permanent Funds - The Permanent Fund is used to record the activity of the Cemetery Trust which provides funds for the perpetual care of cemetery lots.

Proprietary Funds

Internal Service Funds - Internal Service Funds account for 1) building maintenance services, 2) major machinery, equipment and vehicle purchases and maintenance and 3) health care self-insurance services provided to other departments of the city on a cost reimbursement basis.

Fiduciary Funds (Not included in government-wide statements)

Pension Trust Funds - The Pension Trust Funds account for the activities of the city's defined benefit pension plan and defined contribution pension plan for eligible employees and are accounted for in essentially the same manner as proprietary funds.

Agency Funds - Agency Funds account for assets held by the city in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The city has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric, water and sewer functions and various other functions of the city. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and clean water funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Bank Deposits and Investments.

The city pools cash resources of its various funds to facilitate the management of cash. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the city's investments. Debt service funds, self-insurance funds, bond covenant accounts and Pension Trust Funds are maintained in separate accounts.

For purposes of the statement of cash flows, the proprietary funds type considers all transactions within the city's pooled cash accounts to be cash and cash equivalents.

Investments are recorded at fair value. Interest is accrued and earnings in the pooled cash accounts are allocated quarterly to each fund based upon monthly balances of cash and investments.

2. *Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to 100 percent of the outstanding property taxes. No allowance for uncollectible accounts is considered for other receivables.

3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets*

Certain proceeds of the enterprise funds revenues bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The "revenue bond covenant accounts" are used to segregate resources set aside to make up potential future deficiencies in the bond current debt service accounts.

5. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the city as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Electric, water and sewer systems	10-50

6. *Compensated Absences.*

It is the city's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for sick leave since the city does not have a policy to pay amounts when the employees separate from service from the city. If material, all vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations at year-end.

7. Long-Term Obligations.

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are levied on each July 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge from a period of 45 days from the due date the bills are due. After that period of time, two percent penalty and interest at three quarters of a percent per month are added to all unpaid taxes. The city continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. The county's policy has been to pay the city for all delinquent real property taxes returned. The city continues to collect delinquent personal property taxes.

The city's 2003 ad valorem tax is levied and collectible on July 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2003 taxable valuation of the city totaled \$227,988,963 excluding abated valuations, on which ad valorem taxes levied consisted of 10.8354 mills for operating purposes and .5500 mills for library debt purposes. This resulted in \$2,470,338 for operating purposes and \$125,381 for library debt purposes.

In addition the city's 2003 taxable valuation for abated property totaled \$279,080,713 on which taxes levied consisted of 5.4177 mills for operating purposes and .2750 mills for library debt purposes. This resulted in \$1,511,975 for operating purposes and \$76,747 for library debt purposes.

The above amounts are recognized in the respective General and Debt Service Funds financial statements as tax revenue.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State Construction Code Act – The city oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The city charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

The city accounts for the activity of its building inspection department within its general fund. Following is a summary of the cumulative deficit and activity for the year ended June 30, 2004:

Surplus (deficit) - July 1, 2003	\$ (127,173)
Charges for services	\$ 66,223
Building inspection expenditures	<u>(109,113)</u> <u>(42,890)</u>
Surplus (deficit) - June 30, 2004	<u>\$ (170,063)</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of city funds. The investment policy adopted by the city in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The city's pension trust funds investments are held in trust by the investment fiduciary, Merrill Lynch Trust Company. Michigan Compiled Laws, Section 38.1132, authorizes the city pension trusts to invest in a wide variety of investments including stocks, bonds, diversified investment companies, certificates of deposit, real estate, annuity investment contracts, and certain other specified investment vehicles. Specific limitations apply to the various investment types depending on the size of the pension trust.

The city's deposits and investment policy are in accordance with statutory authority.

At year-end, the city's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 6,023,839	\$ 20,745,756	\$ 5,926,104	\$ 32,695,699
Revenue bond covenant accounts	<u>-</u>	<u>1,649,895</u>	<u>-</u>	<u>1,649,895</u>
Total	<u>\$ 6,023,839</u>	<u>\$ 22,395,651</u>	<u>\$ 5,926,104</u>	<u>\$ 34,345,594</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 6,123,838
Investments in Securities, Mutual Funds and Similar Vehicles	28,220,381
Petty Cash and Cash on Hand	<u>1,375</u>
Total	<u>\$ 34,345,594</u>

The bank balance of the city's deposits is \$5,202,309 of which \$700,000 is covered by federal depository insurance and \$4,502,309 is uninsured and uncollateralized. The city believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the city evaluates each financial institution with which it deposits city funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the city or its agent in the city's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the city's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the city's name.

At year-end, the city's investment balances were categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Corporate bonds	\$ -	\$ 264,464	\$ -	\$ 264,464	\$ 264,464
Equity securities	-	2,398,401	-	2,398,401	2,398,401
U.S. government securities	-	<u>23,746,727</u>	-	<u>23,746,727</u>	<u>23,746,727</u>
	<u>\$ -</u>	<u>\$ 26,409,592</u>	<u>\$ -</u>	26,409,592	26,409,592
Investments not subject to categorization					
Bank funds investment pools				238,187	238,187
Pension trust funds mutual funds				<u>1,572,602</u>	<u>1,572,602</u>
Total Investments				<u>\$ 28,220,381</u>	<u>\$ 28,220,381</u>

B. Receivables

Receivables as of year-end for the city's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Electric Utility	Water Utility	Clean Water Utility	Non-major Funds	Fiduciary	Total
Receivables:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 353,694	\$ 353,694
Accounts	2,162	345	1,523,058	298,151	154,753	154,086	19,866	2,152,421
Interest	-	-	-	-	-	-	19,399	19,399
Special assessments	-	-	-	-	-	9,221	-	9,221
Intergovernmental	113,477	-	-	-	-	-	-	113,477
Gross receivables	115,639	345	1,523,058	298,151	154,753	163,307	392,959	2,648,212
Allowance for uncollectibles	-	-	-	-	-	-	-	-
Net Total Receivables	<u>\$ 115,639</u>	<u>\$ 345</u>	<u>\$ 1,523,058</u>	<u>\$ 298,151</u>	<u>\$ 154,753</u>	<u>\$ 163,307</u>	<u>\$ 392,959</u>	<u>\$ 2,648,212</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	<u>\$ 9,221</u>	<u>\$ -</u>

C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 851,157	\$ 179,898	\$ -	\$ -	\$ 1,031,055
Construction in progress	-	188,745	-	-	188,745
Subtotal	851,157	368,643	-	-	1,219,800
Capital Assets Being Depreciated					
Land improvements	748,858	27,380	-	-	776,238
Buildings and improvements	8,861,063	170,880	-	-	9,031,943
Machinery and equipment	341,918	115,217	-	-	457,135
Office furniture and equipment	491,777	48,072	-	-	539,849
Equipment-Motor Pool	488,364	117,016	(98,364)	-	507,016
Vehicles-Motor Pool	1,407,808	891,968	(97,650)	-	2,202,126
Infrastructure	11,861,332	1,635,952	-	-	13,497,284
Subtotal	24,201,120	3,006,485	(196,014)	-	27,011,591
Less Accumulated Depreciation for					
Land improvements	(496,973)	(51,745)	-	-	(548,718)
Buildings and improvements	(1,422,376)	(276,756)	-	-	(1,699,132)
Machinery and equipment	(252,129)	(26,925)	-	-	(279,054)
Office furniture and equipment	(287,277)	(55,362)	-	-	(342,639)
Equipment-Motor Pool	(312,699)	(37,219)	88,598	-	(261,320)
Vehicles-Motor Pool	(663,357)	(123,021)	97,650	-	(688,728)
Infrastructure	(4,853,200)	(779,376)	-	-	(5,632,576)
Subtotal	(8,288,011)	(1,350,404)	186,248	-	(9,452,167)
Net Capital Assets Being Depreciated	15,913,109	1,656,081	(9,766)	-	17,559,424
Governmental Activities Total					
Capital Assets - Net of Depreciation	\$ 16,764,266	\$ 2,024,724	\$ (9,766)	\$ -	\$ 18,779,224

Business-Type Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 808,433	\$ 61,853	\$ -	\$ -	\$ 870,286
Construction in progress	<u>196,332</u>	<u>1,745,874</u>	<u>-</u>	<u>(1,325,619)</u>	<u>616,587</u>
Subtotal	<u>1,004,765</u>	<u>1,807,727</u>	<u>-</u>	<u>(1,325,619)</u>	<u>1,486,873</u>
Capital Assets Being Depreciated					
Land improvements	514,259	14,702	-	-	528,961
Building and improvements	3,987,748	28,278	-	-	4,016,026
Systems	64,541,791	2,215,496	(55,456)	-	66,701,831
Machinery and equipment	<u>1,105,937</u>	<u>38,759</u>	<u>(54,020)</u>	<u>-</u>	<u>1,090,676</u>
Subtotal	<u>70,149,735</u>	<u>2,297,235</u>	<u>(109,476)</u>	<u>-</u>	<u>72,337,494</u>
Less Accumulated Depreciation for					
Land improvements	(355,217)	(32,729)	-	-	(387,946)
Buildings and improvements	(1,514,097)	(115,876)	-	-	(1,629,973)
Systems	(23,813,182)	(2,007,742)	45,714	-	(25,775,210)
Machinery and equipment	<u>(760,577)</u>	<u>(118,524)</u>	<u>44,527</u>	<u>-</u>	<u>(834,574)</u>
Subtotal	<u>(26,443,073)</u>	<u>(2,274,871)</u>	<u>90,241</u>	<u>-</u>	<u>(28,627,703)</u>
Net Capital Assets Being Depreciated	<u>43,706,662</u>	<u>22,364</u>	<u>(19,235)</u>	<u>-</u>	<u>43,709,791</u>
Business-Type Activities Total					
Capital Assets - Net of Depreciation	<u>\$ 44,711,427</u>	<u>\$ 1,830,091</u>	<u>\$ (19,235)</u>	<u>\$ (1,325,619)</u>	<u>\$ 45,196,664</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	\$ 110,086
General government	113,941
Public safety	780,729
Public works	-
Health and welfare	-
Community and economic development	185,408
Recreation and culture	-
Internal service fund depreciation is charged to the various functions based on their usage of the assets	<u>160,240</u>
Total Governmental Activities	<u>\$ 1,350,404</u>
Business-Type Activities	\$ 1,356,548
Electric	583,353
Water	334,970
Clean water	-
Total Business-Type Activities	<u>\$ 2,274,871</u>

Construction Commitments-The city has active construction projects at year-end. At year-end the city's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Main Place reconstruction	\$ 1,479,045	\$ 45,686
State and Business Loop I-96	34,825	137,822
East Main reconstruction	20,770	11,966
East Riley watermain replacement	8,400	74,000
69kV transmission line relocation-Gentex	380,000	5,000
Total	\$ 1,923,040	\$ 274,474

D. Interfund Receivables, Payables and Transfers

At June 30, 2004, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	Transfers Out					Total
	General Fund	Major Street Fund	Non-major Governmental Funds	Electric Utility Fund	Internal Service Funds	
Transfers In						
General Fund	\$ -	\$ -	\$ 26,073 (1)	\$ 341,929 (2)	\$ -	368,002
Major Street Fund	997,670 (3)	-	-	-	-	997,670
Local Street Fund	67,500 (3)	-	-	-	-	67,500
Parking System Fund	55,000 (4)	-	-	-	-	55,000
CDBG Grant Fund	-	220,600 (5)	62,500 (5)	-	-	283,100
Community Center Fund	103,550 (4)	-	-	-	-	103,550
Library Fund	223,000 (4)	-	-	-	-	223,000
Legal Contingency Fund	60,000 (6)	-	-	-	-	60,000
Special Events Fund	12,068 (4)	-	-	-	-	12,068
Shopping Area Redevelopment Fund	18,000 (4)	-	-	-	-	18,000
1993 M.T.F. Act 175 Debt Fund	-	44,000 (7)	-	-	-	44,000
1998 Building Authority G.O. Debt Fund	108,490 (7)	-	-	-	-	108,490
Capital Improvements Fund	165,000 (8)	-	-	-	17,000 (8)	182,000
City Building Fund	104,000 (8)	-	-	-	-	104,000
Motor Pool Fund	46,200 (8)	-	-	-	-	46,200
	<u>\$ 1,960,478</u>	<u>\$ 264,600</u>	<u>\$ 88,573</u>	<u>\$ 341,929</u>	<u>\$ 17,000</u>	<u>\$ 2,672,580</u>

The following describes the nature of significant transfers:

- (1) Transfer to General Fund to close out funds no longer used
- (2) Transfer from Electric Utility Fund to General Fund for annual agreed upon payment in lieu of taxes
- (3) Transfers from General Fund to Major and Local Street Funds for street construction
- (4) Transfers from General Fund for annual operating purposes
- (5) Transfers from Major Street and Capital Improvements Funds for city's portion of Gentex CDBG project
- (6) Transfer from General Fund to Legal Contingency Fund for future unexpected legal costs
- (7) Transfers from Major Street and General Funds for annual debt service requirements
- (8) Transfers from General Fund and Building Maintenance Funds for capital acquisitions

E. Long-Term Debt

The city issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds						
1998 Building Authority, interest rates from 4.1% to 6.0%, maturing 2018	\$ 1,400,000	\$ 1,300,000	\$ -	\$ (55,000)	\$ 1,245,000	\$ 55,000
1993 Library Building, interest rates from 5.0% to 7.0%, maturing 2014	2,000,000	1,605,000	-	(1,605,000)	-	-
1994 Library Building, interest rates from 5.7% to 7.25%, maturing 2009	400,000	180,000	-	(30,000)	150,000	30,000
2003 Library Refunding, interest rates from 2.0%-3.1%, maturing 2014	1,630,000	-	1,630,000	(30,000)	1,600,000	110,000
Michigan transportation bonds						
1993 MTF, interest rates from 2.4%-7.25%, maturing 2007	440,000	185,000	-	(35,000)	150,000	35,000
Total Governmental Activities		<u>\$ 3,270,000</u>	<u>\$ 1,630,000</u>	<u>\$ (1,755,000)</u>	<u>\$ 3,145,000</u>	<u>\$ 230,000</u>
Business-Type Activities						
Revenue bonds						
1994 Electric Revenue, interest rates from 4.0%-7.0%, maturing 2014	6,500,000	\$ 4,455,000	\$ -	(4,455,000)	\$ -	\$ -
1999 Electric Revenue and Refunding, interest rates from 3.3% to 4.85%, maturing 2018	3,125,000	2,100,000	-	(295,000)	1,805,000	305,000
2003 Electric Refunding, interest rates from 2.0%-3.0%, maturing 2013	4,230,000	-	4,230,000	(70,000)	4,160,000	355,000
1995 Water Revenue, interest rates from 4.1%-5.75%, maturing 2015	2,500,000	2,010,000	-	(85,000)	1,925,000	90,000
1996 Water Revenue, interest rates from 4.0%-7.0%, maturing 2016	2,500,000	1,985,000	-	(100,000)	1,885,000	105,000
2001 Water Revenue, interest rates from 4.3%-5.5%, maturing 2020	4,300,000	4,075,000	-	(145,000)	3,930,000	150,000
2002 Water refunding, interest rates from 3.0%-3.9%, maturing 2013	1,810,000	1,810,000	-	(135,000)	1,675,000	135,000
Total Business-Type Activities		<u>\$ 16,435,000</u>	<u>\$ 4,230,000</u>	<u>\$ (5,285,000)</u>	<u>\$ 15,380,000</u>	<u>\$ 1,140,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 230,000	\$ 111,921	\$ 1,140,000	\$ 624,772
2006	240,000	103,334	885,000	589,519
2007	250,000	95,026	915,000	559,829
2008	260,000	86,191	960,000	528,102
2009	225,000	76,820	1,000,000	493,424
2010-2014	1,225,000	262,658	5,780,000	1,832,330
2015-2019	715,000	65,000	4,030,000	622,979
2020-2021	-	-	670,000	37,400
Total	<u>\$ 3,145,000</u>	<u>\$ 800,950</u>	<u>\$ 15,380,000</u>	<u>\$ 5,288,355</u>

Advance Refunding-1993 Library Building Bonds – On July 3, 2003 the city issued \$1,630,000 in 2003 General Obligation Unlimited Tax Refunding Bonds with an average interest rate of 2.84% to advance refund \$1,525,000 of outstanding 1993 General Obligation Unlimited Tax Bonds (Library Building Bonds) with an average interest rate of 4.95%. The net proceeds of \$1,570,431 (after payment of \$59,954 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments until the Series 1993 bonds were called on October 1, 2003. As a result of the advance refunding, the 1993 bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net assets. The advance refunding reduced the aggregate debt service payments by \$136,616, which represents an economic gain of \$115,978.

Advance Refunding-1994 Electric Revenue Bonds – On July 3, 2003 the city issued \$4,230,000 in Electric Utility System Revenue Refunding Bonds, Series 2003 with an average interest rate of 2.76% to advance refund \$4,155,000 of outstanding Electric Utility System Revenue Bonds, Series 1994 with an average interest rate of 4.61%. The net proceeds of \$4,180,116 (after payment of \$113,316 in underwriting fees and other issuance costs) plus an additional \$122,997 of Electric Utility Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the debt service payments until the Series 1994 bonds were called on October 1, 2003. As a result of the advance refunding, the 1994 bonds are considered defeased and the liability for those bonds has been removed from the proprietary funds statement of net assets and the business type activities column of the government-wide statement of net assets. The advance refunding reduced the aggregate debt service payments by \$356,864, which represents an economic gain of \$289,553.

F. Restricted Assets

Restricted assets in the business-type activities are amounts required to be set aside for debt service by Electric Utility Fund and Water Utility Fund revenue bond covenants as follows:

Electric Utility revenue bond covenant amounts	\$ 663,000
Water Utility revenue bond covenant amounts	<u>986,895</u>
	<u>\$ 1,649,895</u>

NOTE 4. OTHER INFORMATION

A. Risk Management, Health-Care Self-Insurance and Litigation

The city is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The city is insured under the Michigan Municipal League for workers' compensation claims, general liability, and property loss. In addition the Electric Utility and Water Utility Funds obtain commercial insurance coverage for general liability and property loss. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool operates as a common risk-sharing program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The city maintains a health care self insurance fund to account for the city's health care and dental coverage which are self-insured by the city. Health care claims in excess of specified amounts and long-term disability claims are covered through third-party insurance policies. Revenues are recognized from city contributions. The city estimates the liability for health and dental claims that have been incurred through the end of the fiscal year but have not been reported. These estimates are recorded in the Health Care Self-Insurance Internal Service Fund. Changes in the claims liability for the past two fiscal years were as follows:

	2004	2003
Balance-July 1	\$ 22,000	\$ 45,000
Incurred claims-including claims incurred but not reported	566,390	422,800
Claims payments	(548,390)	(445,800)
Balance-June 30	\$ 40,000	\$ 22,000

The city is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the city attorney the resolution of these matters will not have a material adverse effect on the financial condition of the city.

B. Power Sales Contract and Project Contract

The City of Zeeland through its Board of Public Works (BPW) entered into an agreement with the Michigan Public Power Agency (MPPA), a public body political and corporate of the State of Michigan created in 1978. MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operations, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each of MPPA's participating members is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. As of June 30, 2004, the MPPA had 14 participating municipalities.

In January, 1983, MPPA entered into a participation agreement with the Detroit Edison Company providing for the sale to MPPA of an undivided ownership interest (37.22%) in the Belle River Unit No. 1 coal-fueled electric generating facility. The 652 megawatt (MW) generating plant was placed in commercial operation on August 1, 1987. MPPA initially financed the purchase of its portion of the Belle River plant by issuing \$590,000,000 of Project Revenue Bonds.

The BPW has entered into a Power Sales Contract and a Project Support Contract with MPPA whereby MPPA will sell and the BPW will purchase its entitlement share (12MW or 4.94% of MPPA's interest) of power and energy from the Belle River plant. During fiscal year 2004, approximately 90.5 million kwh (or approximately 31% of the system's needs) were provided to Zeeland from the Belle River project.

The contracts require the BPW to charge rates for electric power, sufficient to provide revenues adequate to meet its obligations under the agreements. Payments made under the Power Sales Contract are operating expenses of the electric system. Payments made under the Project Support Contract are made after payment of operation and maintenance expenses of the electric system and after debt service payments of the electric system.

Under the provisions of the MPPA bonding resolution, neither the State of Michigan nor any political subdivision thereof, other than MPPA, nor any Participant or any other nonparticipating Member of MPPA is obligated to pay the principal of, premium, if any, or interest on the project revenue bonds and neither the full faith and credit or the taxing power of the State of Michigan or any such Participant or nonparticipating Member is pledged to the payment of the principal of, premium, if any, or interest on the project revenue bonds. MPPA does not have any taxing powers.

C. Other Post-Employment Benefits

The city has elected to provide postretirement health care, dental and life insurance benefits to certain eligible retired employees. Eligible recipients include all full-time employees who have reached the age of 62 and have worked at least ten years for the city. Such benefits are provided to eligible retirees within the schedule of benefits for the city's pre-Medicare and Medicare supplement insurance plans. The city may provide postretirement benefits to its retirees at its discretion and is not obligated in any manner to provide any postretirement benefits in addition to the pension benefits described under the Employee Retirement Systems and Plans note.

As of the end of the fiscal year, 10 eligible retirees and spouses were receiving such postretirement benefits. Expenditures for postretirement benefits are recognized as insurance premiums and claim administrator reimbursements become due. For the year ended June 30, 2004, expenditures of \$97,765 were recognized for postretirement health care and dental insurance benefits, which are net of \$3,694 in reimbursements received from retirees.

D. Deferred Compensation Plan

The city offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are the agents of the employer for the purpose of providing direction to the custodian of the custodial accounts from time to time for the investment of the funds held in the account, transfer of the assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the city's financial statements.

E. Employee Retirement Systems and Plans

The City of Zeeland maintains two pension plans. The defined contribution plan was established July 1, 2000 and covers eligible employees hired after July 1, 2000 and employees hired prior to July 1, 2000 who elected to have their balances transferred from the city's defined benefit plan. Participation in the defined benefit plan was frozen effective July 1, 2000 and now covers only eligible employees hired prior to July 1, 2000 who elected to remain participants in the defined benefit plan and not participate in the defined contribution plan.

1. City of Zeeland Defined Contribution Plan

a. Plan Description

The City of Zeeland Defined Contribution Pension Plan was established by the city to provide benefits at retirement to eligible employees of the city meeting length of service requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At June 30, 2004, there were 49 plan participants. The city is required to contribute 8% of covered compensation for participants who were employed by the city before July 1, 2000 and 6% of covered compensation for employees for participants employed after July 1, 2000. Contribution made to the plan by the city were \$160,348 for the year ended June 30, 2004. Plan provisions and contribution requirements are established and may be amended by the City Council.

b. Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Employer and plan participant contributions are recognized in the period that the contributions are due.

Method Used to Value Investments - Plan Investments are in pooled and guaranteed accounts with Merrill Lynch and are reported at fair value.

c. Concentrations

As of June 30, 2004 investments representing 5% or more of plan assets are as follows:

	<u>Amount</u>	<u>Percent of Total Market Value</u>
Mutual Funds:		
Calvert Income Fund	\$ 354,430	21.16%
Davis NY Venture Fund	183,253	10.94%
John Hancock Small Cap Equity Fund Class A	141,006	8.42%
Managers Capital Appreciation Fund	116,022	6.93%
Merrill Lynch Basic Value Fund Class A	110,618	6.60%
ML Retirement Preservation Money Market Fund	103,784	6.19%
Van Kampen Emerging Growth Fund A	101,483	6.06%

2. City of Zeeland Defined Benefit Pension Plan

a. Plan Description

The City of Zeeland Defined Benefit Pension Plan is a single employer plan administered by the City of Zeeland. All full-time employees employed by the city before July 1, 2000 and who work 25 hours or more per week were eligible to remain a participant in the plan. All employees hired on or after July 1, 2000 are required to become a participant in the defined contribution plan. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan was established by the city and can be amended at its discretion, subject to the terms of collective bargaining agreements covering various employee classes. The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained at the city's offices.

b. Summary of Significant Accounting Policies

Basis of Accounting – The plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Plan investments are reported at fair market value. Quoted market prices are used to value investments.

c. Funding Policy

The City of Zeeland, under its charter and through various collective bargaining agreements, has the authority to establish and amend the obligations of the city and plan members to contribute to the plan. Active plan members are currently not obligated to make contributions to the plan. (Subsequent to July 1, 2004, the contribution rate for police officers covered in a collective bargaining unit is 1.12% of compensation.) The city is required by the terms of the plan to contribute the actuarially determined amount necessary to fund the plan.

d. Annual Pension Costs

For the year ended June 30, 2004, the city's annual pension cost of \$187,332 was equal to the required and actual contributions. The required pension contribution was determined as part of an actuarial valuation at July 1, 2003, using the aggregate actuarial cost method. Significant actuarial assumptions included (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) no cost of living adjustments. The actuarial value of assets is equal to the fair market value of the assets held in the plan. The plan uses the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities.

Three year trend information as of June 30 follows:

	Year Ended June 30		
	2002	2003	2004
Annual pension costs (APC)	\$ 229,730	\$ 208,997	\$ 187,332
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

F. Change in Accounting Policy

In the year ended June 30, 2004, the city implemented GASB Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 established new financial reporting requirements for all state and local governments and consists of the following:

Management's discussion and analysis;

Basic Financial Statements

Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, including capital and infrastructure assets

Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;

Notes to the financial statements;

Required supplementary information, which requires budgetary comparison schedules to be presented.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The city has elected to implement both the general provisions of the Statement and the retroactive reporting of infrastructure in the current year.

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ 4,024,900	\$ 4,242,900	\$ 4,210,780	\$ (32,120)
Licenses and permits	80,760	102,260	103,610	1,350
State shared revenues	621,000	584,000	578,090	(5,910)
Charges for services	47,000	49,300	55,403	6,103
Fines and forfeitures	25,000	32,000	36,222	4,222
Interest	45,000	140,000	103,664	(36,336)
Other	11,500	63,400	68,544	5,144
Total Revenues	<u>4,855,160</u>	<u>5,213,860</u>	<u>5,156,313</u>	<u>(57,547)</u>
Expenditures:				
Current:				
General Government:				
Governing body	46,860	46,860	38,364	8,496
Youth council	-	2,000	1,784	216
Chief executive-mayor	7,565	7,565	6,642	923
City services infrastructure	41,104	45,152	42,050	3,102
City manager	104,949	104,949	100,656	4,293
Elections	13,150	8,350	5,044	3,306
Accounting	76,803	76,803	74,927	1,876
Assessor	88,382	88,382	84,396	3,986
Attorney	82,920	127,100	131,148	(4,048)
Clerk	83,622	84,622	83,014	1,608
Personnel management	24,816	20,016	18,009	2,007
Board of review	1,170	1,170	1,076	94
General services	210,187	225,187	223,337	1,850
Treasurer	46,723	49,723	48,246	1,477
Data processing	20,500	40,000	36,594	3,406
Other property	3,000	2,100	667	1,433
Cemetery	92,159	92,159	79,484	12,675
Storm water management	31,109	26,200	25,943	257
Tree management	10,573	10,573	9,934	639
Public relations	35,450	28,550	22,033	6,517
Total General Government	<u>1,021,042</u>	<u>1,087,461</u>	<u>1,033,348</u>	<u>54,113</u>
Public Safety:				
Police administration	197,309	203,292	197,064	6,228
Police patrol	379,751	412,143	400,794	11,349
Team police project	-	19,500	20,548	(1,048)
Fire services	331,757	338,632	335,622	3,010
Building and zoning	107,272	113,452	109,113	4,339
Emergency services	114,100	108,750	108,191	559
Total Public Safety	<u>1,130,189</u>	<u>1,195,769</u>	<u>1,171,332</u>	<u>24,437</u>

(Continued on next page)

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Public Works:				
Sidewalks	28,013	33,902	28,088	5,814
Highways, streets, and bridges	11,072	11,072	8,838	2,234
Street lighting	24,000	26,500	26,330	170
City clean-up	69,765	81,765	63,090	18,675
MACC transit	50,000	50,000	49,136	864
Total Public Works	182,850	203,239	175,482	27,757
Community and Economic Development				
Economic development	10,000	30,100	26,590	3,510
Planning commission	34,152	34,152	27,284	6,868
Internal planning	10,000	2,100	1,540	560
Construction board of appeals	600	600	462	138
Zoning board of appeals	5,950	5,950	2,300	3,650
Total Community and Economic Development	60,702	72,902	58,176	14,726
Recreation and Culture:				
Timbertown	-	5,000	4,376	624
Parks	113,442	113,442	107,837	5,605
Total Recreation and Culture	113,442	118,442	112,213	6,229
Insurance, Bonds, and Fringes:				
Employer FICA	105,106	105,106	105,708	(602)
Employee insurances	377,249	308,250	284,644	23,606
Employee retirement	185,000	185,000	160,952	24,048
Other	74,312	70,100	66,160	3,940
Total Insurance, Bonds, and Fringes	741,667	668,456	617,464	50,992
Total Expenditures	3,249,892	3,346,269	3,168,015	178,254
Excess Of Revenues Over (Under) Expenditures	1,605,268	1,867,591	1,988,298	120,707
Other Financing Sources (Uses):				
Operating transfers in	360,500	342,000	368,002	26,002
Operating transfers out	(1,914,870)	(1,976,920)	(1,960,478)	16,442
Total Other Financing Sources (Uses)	(1,554,370)	(1,634,920)	(1,592,476)	42,444
Net Change in Fund Balances	50,898	232,671	395,822	163,151
Fund Balances - July 1	1,426,958	1,426,958	1,426,958	-
Fund Balances - June 30	\$ 1,477,856	\$ 1,659,629	\$ 1,822,780	\$ 163,151

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,240,700	-	-	-
State shared revenues	275,000	284,000	303,427	19,427
Charges for services	1,500	3,700	3,776	76
Interest	15,000	24,000	10,919	(13,081)
Other	-	-	60	60
Total Revenues	1,532,200	311,700	318,182	6,482
Expenditures:				
Current:				
Public Works:				
Construction	3,049,670	1,635,670	1,580,791	54,879
Surface maintenance	49,173	72,000	71,434	566
Off-surface maintenance	21,880	27,000	26,956	44
Storm and drainage	39,370	23,000	18,447	4,553
Traffic services	34,617	41,700	34,556	7,144
Winter maintenance	58,855	56,304	50,906	5,398
Administration	12,239	16,828	14,718	2,110
Engineering	5,000	4,800	2,212	2,588
Record keeping	4,439	4,439	4,304	135
Total Public Works	3,275,243	1,881,741	1,804,324	77,417
Insurance, bonds, and fringes:				
Employer FICA	6,822	6,822	7,424	(602)
Employee insurances	30,417	24,917	25,928	(1,011)
Employee retirement	11,000	11,000	8,260	2,740
Other	3,360	3,360	1,754	1,606
Total Insurance, bonds, and fringes	51,599	46,099	43,366	2,733
Total Expenditures	3,326,842	1,927,840	1,847,690	80,150
Excess Of Revenues Over (Under) Expenditures	(1,794,642)	(1,616,140)	(1,529,508)	86,632
Other Financing Sources (Uses):				
Operating transfers in	997,670	997,670	997,670	-
Operating transfers out	(44,000)	(246,300)	(264,600)	(18,300)
Total Other Financing Sources (Uses)	953,670	751,370	733,070	(18,300)
Net Change in Fund Balances	(840,972)	(864,770)	(796,438)	68,332
Fund Balances - July 1	1,162,977	1,162,977	1,162,977	-
Fund Balances - June 30	\$ 322,005	\$ 298,207	\$ 366,539	\$ 68,332

City of Zeeland, Michigan
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State shared revenues	96,000	109,800	124,639	14,839
Charges for services	3,000	400	1,932	1,532
Interest	10,000	10,000	5,266	(4,734)
Other	-	4,600	4,632	32
Total Revenues	109,000	124,800	136,469	11,669
Expenditures:				
Current:				
Public Works:				
Construction	-	55,200	55,161	39
Surface maintenance	52,691	56,500	52,176	4,324
Off-surface maintenance	25,149	25,149	18,055	7,094
Storm and drainage	22,890	23,890	20,854	3,036
Traffic services	22,755	23,255	20,772	2,483
Winter maintenance	63,768	60,237	56,226	4,011
Administration	12,061	15,150	14,080	1,070
Engineering	5,000	2,000	1,156	844
Record keeping	4,439	4,439	4,234	205
Total Public Works	208,753	265,820	242,714	23,106
Insurance, bonds, and fringes:				
Employer FICA	8,136	8,136	8,021	115
Employee insurances	36,878	30,200	28,142	2,058
Employee retirement	9,000	9,000	10,095	(1,095)
Other	4,360	4,360	1,870	2,490
Total Insurance, bonds, and fringes	58,374	51,696	48,128	3,568
Total Expenditures	267,127	317,516	290,842	26,674
Excess Of Revenues Over (Under) Expenditures	(158,127)	(192,716)	(154,373)	38,343
Other Financing Sources (Uses):				
Operating transfers in	135,000	67,500	67,500	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	135,000	67,500	67,500	-
Net Change in Fund Balances	(23,127)	(125,216)	(86,873)	38,343
Fund Balances - July 1	229,006	229,006	229,006	-
Fund Balances - June 30	\$ 205,879	\$ 103,790	\$ 142,133	\$ 38,343

City of Zeeland, Michigan
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

NOTE - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Non-appropriated budgets are adopted for the capital projects, enterprise, and internal service funds.

In February of each year, all department heads of the city submit requests for appropriations for each activity for which they are responsible to the budget officer so that a budget may be prepared. On or before March 31, the proposed budget is presented to the City Council for review. The City Council holds study sessions and public hearings and a final budget must be prepared and adopted no later than June 30.

In addition to adopting the annual operating budget, the City Council annually reviews and approves the Capital Improvement Program (CIP). The CIP is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the appropriate fund.

The appropriated budget is prepared by fund, function, department and activity (i.e. treasurer, city hall, police patrol). Expenditures may not legally exceed budget appropriations at the activity level within the fund, department and activity. Department heads may adjust line items within the activity, however, only the City Council has the authority to amend the total activity budget. Transfers of appropriations between activities require approval of the City Council. A transfer of cash from one fund to another requires a vote of not less than five members of the City Council. Appropriated budgets are amended from time to time throughout the course of the fiscal year by supplementary resolutions approved by a majority vote of the City Council.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

B. Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the city incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

Budget Items	Budget Appropriation	Actual Expenditure
General Fund - Attorney	\$ 127,100	\$ 131,148
General Fund - Team police project	19,500	20,548
General Fund - Employer FICA	105,106	105,708
Major Street Fund - Employer FICA	6,822	7,424
Major Street Fund - Employee insurances	24,917	25,928
Major Street Fund - Transfers out	246,300	264,600
Local Street Fund - Employee retirement	9,000	10,095

Supplemental Data

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are established to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Timbertown Maintenance Fund--was established to account for contributions given directly for and expenditures for the maintenance of Timbertown (a wooden playground area) at Huizenga Park..

TEAM Fund--was established to account for United Way contributions that finance the Police Department's programs in grades K-12 on a variety of topics.

Parking System Fund--was established by Ordinance No. 249 as amended by Ordinance No. 307.

CDBG Grant--was established to account for grant revenues and expenditures related to the Gentex infrastructure improvements partially funded with CDBG grant monies.

Community Center--was established to account for building rental revenue received from the public for meetings, banquets and other community related events. Monies expended from this fund are used for Community Center purposes.

Library Fund--was established for the purpose of receiving restricted state revenue sharing, library penal fines, etc. Monies expended from this fund must be for authorized library purposes.

Legal Contingency--was established to account for out of the ordinary legal expenditures the city may incur throughout the fiscal year.

Special Events--was established to account for revenue and expenditures generated from various special activities the city may involve itself in.

Shopping Area Redevelopment Board Fund--was established to account for the economic development activities in the downtown area.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources and payment of principal and interest of: 1) general obligation bonds from governmental resources; 2) Michigan transportation bonds from state shared motor vehicle revenues; and 3) special assessment bonds from special assessment levies backed by the city's governmental commitment.

Michigan Transportation Fund (M.T.F.)--to account for the current payment of principal and interest of 1993 Michigan Transportation Funds Bonds, issued for street improvements and repaid from state shared gas and weight tax revenues.

Building Authority General Obligation Debt--to account for the payment of interest and principal on long-term debt. Its assets are used for the redemption of Building Authority Bonds issued specifically for capital projects financed by the Zeeland Building Authority. In 1998, \$1,400,000 of Building Authority Bonds were issued to finance the additions and improvements to City Hall and the construction of a storage building for the street department.

Library General Obligation Debt—to account for the current payment of principal and interest on 1993 and 1994 unlimited tax general obligation bonds. In 1993, \$2,000,000 of general obligation bonds were issued to finance part of the cost of constructing a library/community center. In 1994, an additional \$400,000 of general obligation bonds were issued for this same purpose.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Improvement Fund—this fund is used to account for the purchase and/or construction of capital facilities budgeted in the current year of the city's 6-Year Capital Improvement Program which are not accounted for by proprietary funds, trust funds, projects financed through special assessments, and street construction/improvements financed by Act 51 funds.

Veterans Monument—this fund accounts for the transactions of a monument constructed at the cemetery. This project was financed through contributions from the surrounding local governments and from private sources.

City Park Improvement Fund—in June of 1998, the city sold land from an existing park to an area business for the amount of \$225,000. The city council has designated these funds to be used for the future improvements to all city parks. This fund will account for these expenditures.

Capital Projects (S.A. Districts) Fund—this fund accounts for the transactions of the construction phase of capital projects financed by special assessments, which special assessments have been financed with general purpose monies of the city or special assessment debt with government commitment. Capital projects and/or special assessment districts which have been financed by an enterprise fund are accounted for in the enterprise fund. Special assessment receivables are accounted for in this fund when financed by general purpose monies of the city.

City Building Fund—this fund accounts for the construction phase of the renovation of City Hall and the construction of a storage building for the street department. This project is financed with Building Authority bond monies and general city monies.

Library Building Fund—this fund accounts for the construction phase of the library/community center. This project is financed with general obligation bond monies and local private contributions. This project has been completed and remaining funds are used for any upgrades as needed.

Residential Improvement Fund—this fund was set up to accumulate monies for the purpose of purchasing, demolishing and improving substandard residential property.

City of Zeeland, Michigan
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

Nonmajor Special Revenue Funds

	Timbertown Maintenance	Team Fund	Parking System	UDBG Grant	Community Center	Library	Legal Contingency	Special Events	Shopping Area Redevelopment Board	Total
ASSETS										
Cash and investments	\$ -	\$ -	\$ 30,116	\$ 41,270	\$ 28,945	\$ 163,925	\$ 159,644	\$ 8,862	\$ 28,443	\$ 461,225
Receivables	-	-	330	-	-	6,886	400	2,925	-	10,541
Accounts	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 30,466	\$ 41,270	\$ 28,945	\$ 170,811	\$ 160,044	\$ 11,787	\$ 28,443	\$ 471,766
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$ -	\$ 5,833	\$ 41,243	\$ 4,339	\$ 3,069	\$ 628	\$ 2,630	\$ -	\$ 57,742
Accrued payroll	-	-	114	-	169	2,815	-	-	-	3,098
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	\$ 5,947	41,243	4,508	5,884	628	2,630	-	60,840
Fund Balances:										
Reserved	-	-	-	-	-	22,226	-	-	-	22,226
Unreserved	-	-	24,519	27	24,437	142,701	159,416	9,157	28,443	388,700
Total Fund Balances	-	-	24,519	27	24,437	164,927	159,416	9,157	28,443	410,926
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 30,466	\$ 41,270	\$ 28,945	\$ 170,811	\$ 160,044	\$ 11,787	\$ 28,443	\$ 471,766

Debt Service Funds				Capital Projects Funds								Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	Veterans Monument	City Park Improvement	Capital Projects S.A. Districts	City Building	Library Building	Residential Improvement	Total	Perpetual Care	
\$ 2,553	\$ 570	\$ 99,241	\$ 102,364	\$ 146,808	\$ 2,530	\$ 1,421	\$ 30,660	\$ 369,321	\$ 2,986	\$ 114,449	\$ 668,175	\$ 1,014,845	\$ 2,246,609
-	-	-	-	-	-	-	-	5,000	-	-	5,000	-	15,541
-	-	-	-	-	-	-	9,221	-	-	-	9,221	-	9,221
\$ 2,553	\$ 570	\$ 99,241	\$ 102,364	\$ 146,808	\$ 2,530	\$ 1,421	\$ 39,881	\$ 374,321	\$ 2,986	\$ 114,449	\$ 682,396	\$ 1,014,845	\$ 2,271,371
\$ -	\$ -	\$ -	\$ -	\$ 19,189	\$ -	\$ -	\$ -	\$ 3,410	\$ -	\$ -	\$ 22,599	\$ 2,713	\$ 83,054
-	-	-	-	-	-	-	-	-	-	-	-	-	1,098
-	-	-	-	-	-	-	9,221	-	-	-	9,221	-	9,221
-	-	-	-	19,189	-	-	9,221	3,410	-	-	31,820	2,713	95,373
-	-	99,241	99,241	-	-	-	-	-	-	-	-	1,012,132	1,133,599
2,553	570	-	3,123	127,619	2,530	1,421	30,660	370,911	2,986	114,449	650,576	-	1,042,399
2,553	570	99,241	102,364	127,619	2,530	1,421	30,660	370,911	2,986	114,449	650,576	1,012,132	2,175,998
\$ 2,553	\$ 570	\$ 99,241	\$ 102,364	\$ 146,808	\$ 2,530	\$ 1,421	\$ 39,881	\$ 374,321	\$ 2,986	\$ 114,449	\$ 682,396	\$ 1,014,845	\$ 2,271,371

City of Zeeland, Michigan
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2004

	Nonmajor Special Revenue Funds								Shopping Area Redevelopment Board	Total
	Timberown Maintenance	Team Fund	Parking System	CDBG Grant	Community Center	Library	Legal Contingency	Special Events		
Revenues:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	46,416	-	15,344	-	-	-	15,344
State shared revenues	-	-	-	-	-	222,951	-	-	-	222,951
Local unit contributions	-	-	297	29,663	-	8,071	-	3,285	-	41,316
Charges for services	-	-	1,645	-	-	18,368	-	-	-	20,013
Fines and forfeitures	-	-	668	-	29,054	6,142	896	44	-	36,804
Interest and rent	-	-	-	-	27	18,735	2,128	-	-	20,890
Other	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	-	2,610	76,079	29,081	289,611	3,024	3,329	-	403,734
Expenditures:										
Current:	-	-	-	-	-	-	94,274	-	-	94,274
General government	-	-	-	-	-	-	-	-	-	414,499
Public works	-	-	75,347	359,152	-	-	-	-	13,985	13,985
Community and economic development	-	-	-	-	135,086	384,630	-	12,549	-	532,265
Recreation and culture	-	-	9,293	-	8,410	80,426	-	-	-	98,129
Insurance, bonds, and fringes	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total Expenditures	-	-	84,640	359,152	143,496	465,056	94,274	12,549	13,985	1,173,152
Excess of Revenues Over (Under) Expenditures	-	-	(82,030)	(283,073)	(114,415)	(175,445)	(91,250)	(9,220)	(13,985)	(769,418)
Other Financing Sources (Uses)										
Operating transfers in	-	-	55,000	283,100	103,550	223,000	60,000	12,068	18,000	754,718
Operating transfers out	(18,135)	(7,938)	-	-	-	-	-	-	-	(26,073)
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(18,135)	(7,938)	55,000	283,100	103,550	223,000	60,000	12,068	18,000	728,645
Net Change in Fund Balances	(18,135)	(7,938)	(27,030)	27	(10,865)	47,555	(31,250)	2,848	4,015	(40,773)
Fund Balances - July 1	18,135	7,938	51,549	-	35,302	117,372	190,666	6,309	21,428	451,699
Fund Balances - June 30	\$ -	\$ -	\$ 24,519	\$ 27	\$ 24,437	\$ 164,927	\$ 159,416	\$ 9,157	\$ 28,443	\$ 410,926

Debt Service Funds				Capital Projects Funds								Permanent Fund	Total Nonmajor Governmental Funds
1993 M.T.F. Act 175	1998 Building Authority G.O. Debt	Library Debt	Total	Capital Improvement	Veterans Monument	City Park Improvement	Capital Projects S.A. Districts	City Building	Library Building	Residential Improvement	Total	Perpetual Care	
\$ -	\$ -	\$ 202,128	\$ 202,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,128
-	-	-	-	-	-	-	-	-	-	-	-	-	46,416
-	-	-	-	-	-	-	-	-	-	-	-	-	15,344
-	-	-	-	-	-	-	-	-	-	-	-	-	222,951
-	-	-	-	-	-	-	-	-	-	-	-	29,755	71,071
-	-	248	248	42	-	3	1,192	3,562	7	131	4,937	2,201	20,013
-	-	-	-	25,000	-	-	8,701	-	-	27,055	60,756	-	44,190
-	-	-	-	-	-	-	-	-	-	-	-	-	81,646
-	-	202,376	202,376	25,042	-	3	9,893	3,562	7	27,186	65,693	31,956	703,759
-	-	-	-	-	-	-	-	-	-	-	-	28,500	122,774
-	-	-	-	-	-	-	-	-	-	-	-	-	434,499
-	-	-	-	-	-	-	-	-	-	-	-	-	13,985
-	-	-	-	-	-	-	-	-	-	-	-	-	532,265
-	-	-	-	-	-	-	-	-	-	-	-	-	98,129
-	-	-	-	263,108	-	-	-	333,014	-	-	596,122	-	596,122
35,000	55,000	140,000	230,000	-	-	-	-	-	-	-	-	-	230,000
10,314	59,147	61,734	131,195	-	-	-	-	-	-	-	-	-	131,195
-	-	59,954	59,954	-	-	-	-	-	-	-	-	-	59,954
45,314	114,147	261,688	421,149	263,108	-	-	-	333,014	-	-	596,122	28,500	2,218,923
(45,314)	(114,147)	(59,312)	(218,771)	(238,066)	-	3	9,893	(329,452)	7	27,186	(530,429)	3,456	(1,515,164)
44,000	108,490	-	152,490	182,000	-	-	-	104,000	-	-	286,000	-	1,191,208
-	-	-	-	(62,500)	-	-	-	-	-	-	(62,500)	-	(88,573)
-	-	1,648,950	1,648,950	-	-	-	-	-	-	-	-	-	1,648,950
-	-	(1,570,431)	(1,570,431)	-	-	-	-	-	-	-	-	-	(1,570,431)
44,000	108,490	78,519	231,009	119,500	-	-	-	104,000	-	-	223,500	-	1,183,154
(1,314)	(5,637)	19,207	12,236	(118,166)	-	3	9,893	(225,452)	7	27,186	(306,929)	3,456	(332,010)
3,867	6,227	80,034	90,128	246,185	2,530	1,118	20,767	596,363	2,979	87,263	957,505	1,008,676	2,308,008
\$ 2,553	\$ 570	\$ 99,241	\$ 102,364	\$ 127,619	\$ 2,530	\$ 1,421	\$ 30,660	\$ 370,911	\$ 2,986	\$ 114,449	\$ 650,576	\$ 1,012,132	\$ 2,175,998

Supplemental Data

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Building Maintenance Fund—this fund is used to account for the expense of building operations and maintenance of all city buildings.

Motor Pool Fund—this fund is used to account for the rental of motor vehicles and machinery and equipment to other departments and related costs.

Health Care Self Insurance Fund—this fund is used to account for costs associated for the city's health insurance program. All claims, premiums and administrative expenses are paid from this fund.

City of Zeeland, Michigan
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2004

	<u>Building Maintenance</u>	<u>Motor Pool</u>	<u>Health Care Self-Insurance</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 90,616	\$ 1,175,690	\$ 192,185	\$ 1,458,491
Accounts receivable	-	-	138,545	138,545
Capital assets	<u>-</u>	<u>1,759,094</u>	<u>-</u>	<u>1,759,094</u>
Total Assets	<u>90,616</u>	<u>2,934,784</u>	<u>330,730</u>	<u>3,356,130</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	12,659	8,641	40,000	61,300
Accrued payroll	<u>912</u>	<u>517</u>	<u>-</u>	<u>1,429</u>
Total Current Liabilities	<u>13,571</u>	<u>9,158</u>	<u>40,000</u>	<u>62,729</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	1,759,094	-	1,759,094
Unrestricted	<u>77,045</u>	<u>1,166,532</u>	<u>290,730</u>	<u>1,534,307</u>
Total Net Assets	<u>\$ 77,045</u>	<u>\$ 2,925,626</u>	<u>\$ 290,730</u>	<u>\$ 3,293,401</u>

City of Zeeland, Michigan
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2004

	Building Maintenance	Motor Pool	Health Care Self-Insurance	Total
Operating Revenues:				
Charges for services	\$ 357,007	\$ 490,300	\$ 780,000	\$ 1,627,307
Other revenue	-	1,644	6,234	7,878
Total Operating Revenues	<u>357,007</u>	<u>491,944</u>	<u>786,234</u>	<u>1,635,185</u>
Operating Expenses:				
Supplies and other operating expenses	298,808	202,201	758,591	1,259,600
General and administrative	-	-	12,746	12,746
Depreciation	-	160,240	-	160,240
Total Operating Expenses	<u>298,808</u>	<u>362,441</u>	<u>771,337</u>	<u>1,432,586</u>
Operating Income	<u>58,199</u>	<u>129,503</u>	<u>14,897</u>	<u>202,599</u>
Nonoperating Revenues (Expenses)				
Interest earned	4,164	18,088	5,924	28,176
Gain on sale of capital assets	-	52,664	-	52,664
Total Nonoperating Revenues (Expenses)	<u>4,164</u>	<u>70,752</u>	<u>5,924</u>	<u>80,840</u>
Income Before Transfers	62,363	200,255	20,821	283,439
Transfers in	-	46,200	-	46,200
Transfers out	<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>(17,000)</u>
Change in Net Assets	45,363	246,455	20,821	312,639
Net Assets - July 1	<u>31,682</u>	<u>2,679,171</u>	<u>269,909</u>	<u>2,980,762</u>
Net Assets - June 30	<u>\$ 77,045</u>	<u>\$ 2,925,626</u>	<u>\$ 290,730</u>	<u>\$ 3,293,401</u>

City of Zeeland, Michigan
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2004

	Building Maintenance	Motor Pool	Health Care Self-Insurance	Total
Cash Flows From Operating Activities:				
Payments to suppliers	\$ (216,071)	\$ (139,089)	\$ (891,882)	\$ (1,247,042)
Payments to employees	(84,951)	(61,787)		(146,738)
Received from interfund charges	357,007	490,300	780,000	1,627,307
Other receipts (payments)	-	1,644	6,234	7,878
Net Cash Provided (Used) By Operating Activities	<u>55,985</u>	<u>291,068</u>	<u>(105,648)</u>	<u>241,405</u>
Cash Flows From Noncapital Financing Activities:				
Transfers from/to other funds	<u>(17,000)</u>	<u>46,200</u>	<u>-</u>	<u>29,200</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	-	(1,008,984)	-	(1,008,984)
Proceeds from sale of capital assets	-	62,430	-	62,430
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>-</u>	<u>(946,554)</u>	<u>-</u>	<u>(946,554)</u>
Cash Flows From Investing Activities:				
Interest received on investments	<u>4,164</u>	<u>18,088</u>	<u>5,924</u>	<u>28,176</u>
Net Increase (Decrease) in Cash and Investments	43,149	(591,198)	(99,724)	(647,773)
Cash and Investments - July 1	<u>47,467</u>	<u>1,766,888</u>	<u>291,909</u>	<u>2,106,264</u>
Cash and Investments - June 30	<u>\$ 90,616</u>	<u>\$ 1,175,690</u>	<u>\$ 192,185</u>	<u>\$ 1,458,491</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:				
Operating income	\$ 58,199	\$ 129,503	\$ 14,897	\$ 202,599
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	160,240	-	160,240
Change in assets and liabilities:				
Receivables	-	-	(138,545)	(138,545)
Accounts payable	592	2,859		3,451
Accrued and other liabilities	(2,806)	(1,534)	18,000	13,660
Net Cash Provided (Used) By Operating Activities	<u>\$ 55,985</u>	<u>\$ 291,068</u>	<u>\$ (105,648)</u>	<u>\$ 241,405</u>

STATISTICAL SECTION

City of Zeeland, Michigan
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
AND EXPENDITURES AND OTHER USES BY FUNCTION

Last Ten Fiscal Years

TABLE 1

	FY1995	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004
Revenues and other financing sources:										
Taxes	\$ 2,165,209	\$ 2,284,014	\$ 2,345,776	\$ 2,556,276	\$ 2,794,853	\$ 3,068,152	\$ 3,148,587	\$ 2,968,779	\$ 3,289,293	\$ 4,210,780
Licenses and permits	66,351	61,166	65,702	70,718	79,255	73,155	78,243	88,145	79,548	103,610
State shared revenues	569,944	652,942	650,772	657,573	688,906	678,405	737,705	703,994	745,664	578,090
Grants	0	0	12,000	0	25,850	469	0	0	6,000	0
Charges for services	33,007	35,746	43,022	38,905	59,683	54,444	67,414	66,670	49,768	55,403
Fines and forfeits	32,319	39,568	39,950	38,400	38,301	40,917	29,229	32,737	24,556	36,222
Interest	49,271	76,349	69,692	74,894	85,872	95,546	118,791	77,685	40,060	103,664
Other	75,574	41,142	15,736	40,920	42,239	20,221	27,663	30,526	22,522	63,544
Operating transfers in	161,208	205,552	279,761	301,356	409,301	324,593	331,975	345,907	346,704	368,002
	<u>\$ 3,152,883</u>	<u>\$ 3,397,479</u>	<u>\$ 3,522,411</u>	<u>\$ 3,779,042</u>	<u>\$ 4,224,260</u>	<u>\$ 4,355,902</u>	<u>\$ 4,579,607</u>	<u>\$ 4,314,443</u>	<u>\$ 4,604,115</u>	<u>\$ 5,524,315</u>
Expenditures and other uses:										
General government	\$ 615,234	\$ 733,946	\$ 811,570	\$ 816,985	\$ 714,116	\$ 757,038	\$ 809,962	\$ 801,012	\$ 903,175	1,033,348
Public safety	627,240	631,953	678,015	675,162	772,098	926,054	954,117	1,007,355	1,130,836	1,171,332
Public works	87,018	81,981	114,370	145,724	118,776	243,023	115,666	145,872	151,140	175,482
Health and welfare	3,278	4,875	3,250	2,310	2,771	2,542	2,670	7,260	0	58,176
Culture and recreation	56,996	63,996	76,859	82,109	90,508	95,067	99,101	106,183	99,958	112,213
Insurance, bonds, and fringes	311,868	307,100	329,293	322,323	337,906	380,109	433,146	510,934	618,450	617,464
Capital outlay	29,835	40,342	137,311	45,692	21,696	35,764	24,870	23,855	18,420	0
Operating transfers out	1,438,428	1,328,000	1,349,000	1,564,750	1,957,200	1,786,000	2,326,200	1,362,840	1,692,130	1,960,478
	<u>\$ 3,169,897</u>	<u>\$ 3,192,193</u>	<u>\$ 3,499,668</u>	<u>\$ 3,655,055</u>	<u>\$ 4,015,071</u>	<u>\$ 4,225,597</u>	<u>\$ 4,765,732</u>	<u>\$ 3,965,311</u>	<u>\$ 4,614,109</u>	<u>\$ 5,123,493</u>

City of Zeeland, Michigan
PROPERTY TAX LEVIES AND COLLECTIONS

TABLE 2

Last Ten Fiscal Years							
Tax Year	Fiscal Year Ended June 30	Tax Levy	Collections to March 1 Year Following Levy	Percent Collected	Collections to June 30, 2004	Percent Collected to June 30, 2004	
1994	1995	\$ 2,385,513	\$ 2,335,379	97.9%	\$ 2,385,192	99.9%	
1995	1996	2,430,385	2,384,220	98.1%	2,430,360	99.9	
1996	1997	2,505,218	2,465,376	98.4%	2,501,630	99.9	
1997	1998	2,730,310	2,694,707	98.7%	2,727,180	99.9	
1998	1999	3,319,686	3,279,905	98.8%	3,318,273	99.9	
1999	2000	3,743,299	3,679,261	98.3%	3,740,348	99.9	
2000	2001	3,576,921	3,530,072	98.7%	3,569,044	99.8	
2001	2002	3,734,589	3,645,380	97.6%	3,715,258	99.5	
2002	2003	4,228,641	4,105,362	97.2%	4,159,407	98.4	
2003	2004	4,184,440	4,130,234	98.7%	4,163,708	99.5	

City of Zeeland, Michigan
 ASSESSED, TAXABLE AND EQUALIZED VALUATIONS OF TAXABLE PROPERTY

Last Ten Fiscal Years

TABLE 3

Fiscal Year Ended June 30	Real Property			Personal Property			Total		
	Taxable	Assessed	Equalized	Taxable	Assessed	Equalized	Taxable	Assessed	Equalized
1995	N/A	108,906,400	108,906,400	N/A	33,424,000	33,424,000	N/A	142,330,400	142,330,400
1996	113,491,400	115,848,800	115,848,800	37,465,900	37,565,600	37,565,600	150,957,300	153,414,400	153,414,400
1997	119,495,639	121,886,000	121,886,000	40,487,102	41,367,500	41,367,500	159,982,741	163,253,500	163,253,500
1998	128,601,266	136,441,000	136,441,000	44,878,318	45,103,850	45,103,850	173,479,584	181,544,850	181,544,850
1999	138,925,187	152,407,600	152,407,600	45,829,000	45,829,000	45,829,000	184,754,187	198,236,600	198,236,600
2000	146,275,373	166,665,000	166,665,000	47,399,000	47,399,000	47,399,000	193,674,373	214,064,000	214,064,000
2001	153,749,163	175,814,200	175,814,200	47,733,900	47,733,900	47,733,900	201,483,063	223,548,100	223,548,100
2002	163,312,393	186,640,200	186,640,200	50,136,800	50,136,800	50,136,800	213,449,193	236,777,000	236,777,000
2003	172,485,944	201,240,400	201,240,400	49,387,300	49,387,300	49,387,300	221,873,244	250,627,700	250,627,700
2004	179,679,963	214,320,600	214,320,600	48,309,000	48,309,000	48,309,000	227,988,963	262,629,600	262,629,600

NOTE: Does not include industrial & commercial facilities SEV

Fiscal Year		Equalized	Taxable
1995	Act 198 & 255	30,936,500	N/A
1996	Act 198 & 255	62,208,939	62,208,939
1997	Act 198 & 255	93,426,800	93,426,800
1998	Act 198 & 255	105,985,300	103,504,772
1999	Act 198 & 255	104,378,900	103,049,987
2000	Act 198 & 255	115,427,000	108,625,833
2001	Act 198 & 255	116,920,200	111,120,870
2002	Act 198 & 255	157,652,000	152,378,839
2003	Act 198 & 255	230,045,500	228,148,141
2004	Act 198 & 255	280,411,200	279,080,713

City of Zeeland, Michigan
PROPERTY TAX RATES PER \$1,000 STATE EQUALIZED VALUATION
FOR DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

TABLE 4

Fiscal Year Ended June 30*	CITY					SCHOOL			
		Operating	Streets	Debt	Total	Operating	Debt	State Education	Total
								Tax	
1995 **	H	13.7987	0.0000	1.5473	15.3460	1.0000	5.6300	6.0000	12.6300
1995	NH	13.7987	0.0000	1.5473	15.3460	19.0000	5.6300	6.0000	30.6300
1996	H	13.3500	0.0000	0.9500	14.3000	1.0000	5.6300	6.0000	12.6300
1996	NH	13.3500	0.0000	0.9500	14.3000	19.0000	5.6300	6.0000	30.6300
1997	H	13.0000	0.0000	0.8500	13.8500	1.0000	5.6300	6.0000	12.6300
1997	NH	13.0000	0.0000	0.8500	13.8500	19.0000	5.6300	6.0000	30.6300
1998	H	13.0000	0.0000	0.8500	13.8500	0.9975	5.6300	6.0000	12.6275
1998	NH	13.0000	0.0000	0.8500	13.8500	18.9975	5.6300	6.0000	30.6275
1999	H	13.0000	2.0000	0.8500	15.8500	1.3922	5.6300	6.0000	13.0222
1999	NH	13.0000	2.0000	0.8500	15.8500	19.3922	5.6300	6.0000	31.0222
2000	H	12.2500	2.0000	0.8500	15.1000	1.3936	6.6300	6.0000	14.0236
2000	NH	12.2500	2.0000	0.8500	15.1000	19.3936	6.6300	6.0000	32.0236
2001	H	12.1500	1.9858	0.7500	14.8858	1.3816	6.6300	6.0000	14.0116
2001	NH	12.1500	1.9858	0.7500	14.8858	19.3816	6.6300	6.0000	31.9816
2002	H	10.1500	1.9858	0.7500	12.8858	1.3774	6.6300	6.0000	14.0074
2002	NH	10.1500	1.9858	0.7500	12.8858	19.3774	6.6300	6.0000	32.0074
2003	H	9.8500	1.9852	0.5500	12.3852	1.3665	6.6300	6.0000	13.9965
2003	NH	9.8500	1.9852	0.5500	12.3852	19.3665	6.6300	6.0000	31.9965
2004	H	10.8354	0.0000	0.5500	11.3854	1.3710	6.6300	5.0000	13.0010
2004	NH	10.8354	0.0000	0.5500	11.3854	19.3710	6.6300	5.0000	31.0010

Fiscal Year Ended June 30*	COUNTY		INTERMEDIATE SCHOOL DISTRICT				GRAND TOTAL
	Ottawa County		Intermediate School	Special Education	Vocational Education	Total	
1995 **	H	4.8990	0.1108	2.2770	1.0852	3.4730	36.3480
1995	NH	4.8990	0.1108	2.2770	1.0852	3.4730	54.3480
1996	H	4.8990	0.1108	2.2770	1.0852	3.4730	35.3020
1996	NH	4.8990	0.1108	2.2770	1.0852	3.4730	53.3020
1997	H	4.7165	0.1108	2.2770	1.0852	3.4730	34.6695
1997	NH	4.7165	0.1108	2.2770	1.0852	3.4730	52.6695
1998	H	4.6985	0.1106	2.2727	1.0831	3.4664	34.6424
1998	NH	4.6985	0.1106	2.2727	1.0831	3.4664	52.6424
1999	H	4.4804	0.1104	2.2677	1.0807	3.4588	36.8114
1999	NH	4.4804	0.1104	2.2677	1.0807	3.4588	54.8114
2000	H	4.3812	0.1096	3.1523	1.0734	4.3353	37.8401
2000	NH	4.3812	0.1096	3.1523	1.0734	4.3353	55.8401
2001	H	4.3760	0.1087	3.1265	1.0647	4.2999	37.5733
2001	NH	4.3760	0.1087	3.1265	1.0647	4.2999	55.5433
2002	H	4.2722	0.1087	3.1265	1.0502	4.2854	35.4508
2002	NH	4.2722	0.1087	3.1265	1.0502	4.2854	53.4508
2003	H	4.1672	0.1078	3.1040	1.0570	4.2688	34.8177
2003	NH	4.1672	0.1078	3.1040	1.0570	4.2688	52.8177
2004	H	4.1611	0.1068	3.0762	1.0475	4.2305	32.7780
2004	NH	4.1611	0.1068	3.0762	1.0475	4.2305	50.7780

* Fiscal year for Ottawa County begins January 1

** H = Homestead Properties

NH = Non-Homestead Properties

City of Zeeland, Michigan
PROFILE OF TEN LARGEST PROPERTY TAXPAYERS

TABLE 5

PROFILE OF TEN LARGEST PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Principal Product/Service</u>	<u>2003 Taxable Valuation *</u>	<u>% of 2003 Taxable Valuation</u>
Mirant	Power Generation	\$ 168,941,015	33.3%
Bristol Myers (Mead Johnson)	Infant formula	51,374,694	10.1
Genlex	Automotive parts	50,310,860	9.9
Herman Miller, Inc.	Institutional furniture	28,567,471	5.0
ITW Drawform	Stamping operations	10,291,807	2.0
Howard Miller Clock	Clocks	5,795,077	1.1
ODL Inc	Door lights and skylights	5,418,540	1.1
Innotec Corp	Automotive parts	4,829,207	1.0
Zeeland Chemicals, Inc	Chemicals	4,804,177	0.9
Plascore, Inc	Honeycomb products	4,396,459	0.9
Total Taxable Assessed Value of 10 Largest Taxpayers		331,729,307	65.3%
Total Taxable Assessed Value of all Other Taxpayers		175,340,369	34.7%
Total Taxable Assessed Value of all Taxpayers **		\$ 507,069,676	100.0%

* Taxable Value as 12/31/02

** Total taxable value figure includes JFT's and CFT's

All economic and statistical data was obtained from records of the City of Zeeland.

City of Zeeland, Michigan
SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

TABLE 6

Fiscal Year Ended June 30	Current Assessments Due	Current and Deferred Collections	Percentage of Collection to Amount Due	Total Outstanding Assessments
1995	\$ 127,210	\$ 130,453	102.54	\$ 425,274
1996	152,756	152,756	100.00	508,519
1997	139,256	139,256	100.00	369,263
1998	106,732	163,054	152.77	206,209
1999	64,716	59,916	92.58	244,288
2000	64,716	117,997	182.33	126,291
2001	53,272	53,272	100.00	73,018
2002	27,307	27,307	100.00	45,711
2003	27,788	27,788	100.00	17,923
2004	8,701	8,701	100.00	9,221

City of Zeeland, Michigan
COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

TABLE 7

STATE EQUALIZED VALUATION

\$ 262,629,600

	Actual Net Debt	Percentage of State Equalized Valuation	Legal Margin	
			Amount	Legal Debt Margin
General obligation debt	\$ 2,995,000	10%	\$ 26,262,960	\$ 23,267,960
Emergency bonds	0	3/8%	984,861	984,861
Special assessment bonds	0	12%	31,515,552	31,515,552
Total Debt Subject to Statutory Limitation	2,995,000		<u>\$ 58,763,373</u>	<u>\$ 55,768,373</u>
Debt not subject to limitation	<u>15,530,000</u>			
TOTAL DEBT	<u>\$ 18,525,000</u>			

NOTE: The statutory debt limit of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the state equalized valuation of taxable property in the city (\$262,629,600), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood, or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage and garbage disposal systems.

The Michigan State Bond Act provided that the total debt in special assessment bonds, which would require that the city pledge its faith and credit, shall not exceed 12% of the assessed valuation of taxable property of the city, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

City of Zeeland, Michigan
RATIO OF NET BONDED DEBT
TO STATE EQUALIZED VALUE AND PER CAPITA

Last Ten Fiscal Years

TABLE 8

Fiscal Year Ended June 30	Population	State Equalized Value	Gross Bonded Debt	Debt Service Monies Available	Self Supporting Debt	Net Bonded Debt
1995	5,417	\$ 142,330,400	\$ 23,145,000	\$ 902,354	\$ 12,691,294	\$ 9,551,352
1996	5,417	153,414,400	26,460,000	1,035,081	16,876,667	8,548,252
1997	5,417	163,253,500	24,175,000	998,966	16,343,034	6,833,000
1998	5,417	181,544,850	22,957,375	904,911	17,142,619	4,909,845
1999	5,417	198,236,600	23,440,000	1,062,365	18,669,697	3,707,938
2000	5,805	214,064,000	22,190,000	1,121,658	17,565,566	3,502,776
2001	5,805	223,548,100	25,165,000	1,339,771	20,515,900	3,309,329
2002	5,805	236,777,000	23,730,000	1,382,451	19,214,409	3,133,050
2003	5,805	250,627,700	19,705,000	1,915,160	14,795,768	2,994,072
2004	5,805	262,629,600	18,525,000	1,752,259	13,877,552	2,895,189
Fiscal Year Ended June 30					% of Net Bonded Debt to State Equalized Value	Net Bonded Debt Per Capita
1995					6.71	1,763
1996					5.57	1,578
1997					4.19	1,261
1998					2.70	906
1999					1.87	684
2000					1.64	603
2001					1.48	570
2002					1.32	540
2003					1.19	516
2004					1.10	499

City of Zeeland, Michigan
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES

Last Ten Fiscal Years

TABLE 9

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Expenditures
1995	\$ 295,000	\$ 266,165	\$ 561,165	\$ 3,169,897	17.7%
1996	215,000	246,282	461,282	3,192,193	14.45
1997	250,000	220,368	470,368	3,499,668	13.44
1998	275,000	204,421	479,421	3,655,055	13.12
1999	305,000	157,364	462,364	4,015,071	11.52
2000	175,000	200,735	375,735	4,225,597	8.89
2001	190,000	169,022	359,022	4,765,732	7.53
2002	145,000	159,285	304,285	3,965,311	7.67
2003	155,000	152,408	307,408	4,614,109	6.66
2004	195,000	120,881	315,881	5,128,493	6.16

City of Zeeland, Michigan
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2004

TABLE 10

DIRECT DEBT:		
General obligation bonds	\$	2,995,000
Michigan transportation bonds		150,000
Electric revenue bonds		5,965,000
Water revenue bonds		9,415,000
Clean Water revenue bonds		<u>0</u>
		18,525,000
Less:		
Funds for general obligation principal	\$	99,811
Michigan transportation bonds		150,000
Revenue bonds		<u>15,380,000</u>
		15,629,811
Net Direct Debt		2,895,189
OVERLAPPING DEBT:		
3.02% of Ottawa County debt	\$	507,209
2.66% of Ottawa Intermediate School District debt		216,258
25.44% of Zeeland Public School District debt		<u>27,334,008</u>
Overlapping Debt		28,057,475
NET DIRECT AND OVERLAPPING DEBT	\$	<u>30,952,664</u>

	Per Capita Debt	Percentage of Debt to State Equalized Value
Net direct debt	\$ 499	1.10%
Net direct and overlapping debt	5,332	11.78%

City of Zeeland, Michigan
SCHEDULE OF REVENUE BOND COVERAGE - ELECTRIC UTILITY FUND

Last Ten Fiscal Years

TABLE 11

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 9,737,690	\$ 7,453,938	\$ 2,283,752	\$ 325,000	\$ 473,365	\$ 798,365	2.86
1996	12,001,728	9,282,978	2,718,750	350,000	444,146	794,146	3.42
1997	12,655,733	10,039,626	2,616,107	370,000	419,474	789,474	3.31
1998	13,416,346	10,389,527	3,026,819	395,000	399,756	794,756	3.81
1999	14,235,358	11,000,287	3,235,071	425,000	375,985	800,985	4.04
2000	14,406,969	9,825,028	4,581,941	470,000	373,681	843,681	5.43
2001	15,108,735	11,103,177	4,005,558	505,000	351,089	856,089	4.67
2002	15,772,181	11,524,227	4,247,954	530,000	330,089	860,089	4.93
2003	16,328,342	12,235,926	4,092,416	560,000	308,559	868,559	4.71
2004	16,206,496	12,374,279	3,832,217	665,000	176,192	841,192	4.56

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total expenses include operating expenses and operating transfers, exclusive of depreciation and interest.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan
SCHEDULE OF REVENUE BOND COVERAGE - WATER UTILITY FUND

Last Ten Fiscal Years

TABLE 12

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 1,159,870	\$ 734,915	\$ 424,955	\$ 65,000	\$ 133,455	\$ 198,455	2.14
1996	2,078,094	981,795	1,096,299	70,000	245,209	315,209	3.48
1997	2,245,990	1,033,883	1,212,107	165,000	382,844	547,844	2.21
1998	2,340,650	1,153,414	1,187,236	210,000	372,415	582,415	2.04
1999	2,264,854	1,345,720	919,134	220,000	360,739	580,739	1.58
2000	2,394,355	1,509,948	884,407	235,000	348,250	583,250	1.52
2001	2,655,265	1,574,846	1,080,419	250,000	321,013	571,013	1.89
2002	3,034,104	1,352,201	1,681,903	360,000	566,898	926,898	1.81
2003	3,225,744	1,513,949	1,711,795	420,000	502,448	922,448	1.86
2004	3,074,877	1,583,390	1,491,487	465,000	467,643	932,643	1.60

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total expenses include operating transfers, exclusive of depreciation and interest.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan
SCHEDULE OF REVENUE BOND COVERAGE - CLEAN WATER UTILITY FUND

Last Ten Fiscal Years

TABLE 13

Fiscal Year Ended June 30	Gross Revenues (1)	Expenses and Operating Transfers (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 1,122,305	\$ 510,929	\$ 611,376	\$ 85,000	\$ 106,358	\$ 191,358	3.19
1996	1,237,325	548,241	689,084	90,000	99,904	189,904	3.63
1997	1,355,674	635,421	720,253	95,000	94,922	189,922	3.79
1998	1,484,712	639,118	845,594	100,000	91,186	191,186	4.42
1999	1,662,573	725,010	937,563	150,000	183,850	333,850	2.81
2000	1,483,392	666,804	816,588	345,000	175,068	520,068	1.57
2001	1,918,836	658,452	1,260,384	350,000	159,588	509,588	2.47
2002	2,185,903	699,486	1,486,417	370,000	143,114	513,114	2.90
2003	1,663,463	742,015	921,448	395,000	117,196	512,196	1.80
2004	1,470,789	866,930	603,859	0	0	0	N/A

(1) Total revenues include operating revenues, interest, other nonoperating revenues, and capital contributions.

(2) Total operating expenses include operating transfers, exclusive of depreciation.

(3) Includes principal, interest, and paying agent fees.

City of Zeeland, Michigan
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years

TABLE 14

Fiscal Year Ended June 30	State Equalized Value	Construction		Bank Deposits (1) (In thousands)
		No. Permits	Estimated Value	
1995	\$ 142,330,400	193	\$ 14,094,400	\$ 465,374
1996	153,414,400	238	16,349,689	473,335
1997	163,253,500	263	9,701,569	532,877
1998	181,544,850	293	9,055,202	522,404
1999	198,236,600	295	19,978,873	451,652
2000	214,064,000	268	13,481,821	361,503
2001	223,548,100	318	12,331,486	307,490
2002	236,777,000	270	5,780,583	298,402
2003	250,627,700	222	14,345,093	401,143
2004	262,629,600	215	4,255,569	431,295

1. Bank deposits as of June 30, for banks and savings and loan associations located in Zeeland:

Chemical Bank Shoreline
Byron Center State Bank
National City Bank of the MW
Fifth Third Bank
The Huntington National Bank
Macatawa Bank
National City Bank

Sources: Federal Deposit Insurance Corporation

City of Zeeland, Michigan
TAX INFORMATION

June 30, 2004

Table 15

ASSESSED:	Tax assessments are determined as of tax day, December 31.
LIEN ON PROPERTY:	Personal property taxes become a lien and are payable on January 1, however, they are billed on July 1 and December 1. City, local school, and intermediate school taxes are levied July 1. County taxes are levied December 1. Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed.
PAYABLE:	Taxes billed July 1 are due August 15. Taxes billed December 1 are due February 14. Taxes are collected at the office of city treasurer.
DELINQUENT:	Real property taxes become delinquent on March 1 and are returned to the county treasurer for collection. Ottawa County operates a Delinquent Tax Revolving Fund which forwards delinquent tax monies to local jurisdictions. Delinquent personal property taxes are collected by the city treasurer. Uncollectible personal property taxes are stricken from the tax rolls upon petition to the Circuit Court when uncollectible for a period of five years from date of levy.
PENALTIES:	A 2% administration fee is assessed on the July 1 tax roll against all taxes remaining unpaid after August 15. Interest at the rate of 3/4 percent per month is assessed on August 15, September 1, October 1, and November 1. Taxes remaining unpaid as of November 1 are rebilled on the December 1 tax roll. Taxes collected by the city treasurer after February 14 are subject to a 3% penalty. Taxes returned delinquent to the county treasurer on March 1 are subject to a 4% collection fee and 1% per month interest.
TAX ABATEMENT:	<p>The state equalized value does not include valuation of certain facilities which are exempt under Act 198, Public Acts of 1974 or Act 255, Public Acts of 1978. The Acts are designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan.</p> <p>An Industrial or Commercial Facilities Exemption Certificate entitles the facility to exemption from ad valorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax, the firm will pay a specific tax. Renovated facilities are taxed at the full millage rate based on the assessed valuation prior to the improvements. New facilities are taxed at one half rate levied on assessments which are determined annually based on true cash value.</p> <p>The City of Zeeland has established goals, objectives, and procedures to provide opportunity for industrial and commercial development and expansion using the Acts. A number of districts have been approved totaling \$280,411,200 in FY2004 or 51.6 % of the total state equalized valuation.</p>
CITY TAXATION AND LIMITATION:	<p>The city's tax rate is limited by City Charter. The State Home Rule Act allows a city charter to authorize up to a 20 mill tax levy, and the City of Zeeland, by its charter, is authorized to levy a maximum of 15 mills for operating purposes.</p> <p>In November 1978, the electorate of the State of Michigan passed an amendment to the State Constitution which places certain limitations on increases of taxes by the state and political subdivisions from currently authorized levels of taxation. The amendment does not limit taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding at the time they became effective or which have been approved by the electors of the state or such political subdivisions.</p>

City of Zeeland, Michigan
ECONOMIC AND STATISTICAL DATA

June 30, 2004

TABLE 16

AREA:	3 square miles		
FORM OF GOVERNMENT:	Council-Manager (7 council members) Incorporated as a city in 1907		
PRESENT CHARTER:	Adopted June 27, 1967 (effective July 1, 1967)		
FISCAL YEAR BEGINS:	July 1		
NUMBER OF CITY EMPLOYEES:	67 full-time; 90 part-time/part-paid		
FIRE PROTECTION:	2 stations, 25 volunteer firemen, 2-way radios, 6 municipality mutual aid agreements		
POLICE PROTECTION:	1 station, 9 full-time policemen, 5 part-time, 10 reserves, 2-way radio equipment		
PARKING:	3 unmetered lots -- 166,700 sq. ft. 3 leased lots -- 71,500 sq. ft.		
STREETS:	29.36 miles		
STORM SEWERS:	15.50 miles		
ELECTRIC UTILITY:	Customer Accounts:		
	Residential	4,810	
	Commercial/Industrial	660	
	Street Lights	120	
	M.W.H. generated and purchased	291,528	
	M.W.H. sold	273,386	
	Revenues from sales	\$15,868,080	
WATER UTILITY:	Customer Accounts:		
	Residential	2,190	
	Commercial/Industrial	370	
	Million gallons pumped	1,224	
	Million gallons sold	1,207	
	Revenues from sales	\$2,903,300	
CLEAN WATER:	Customer Accounts:		
	Residential	2,174	
	Commercial/Industrial	319	
	Miles of collection system	37	
	Major lift stations	7	
	Treated effluent	427 million gallons	
	Residuals	2,120 million gallons	
	Revenues from user charges	\$1,403,136	
RECREATION:	8 parks (37.9 acres) 4 playgrounds 1 community center 1 library		
POPULATION GROWTH:	Official U.S. Census	1950	3,075
		1960	3,702
		1970	4,734
		1980	4,723
		1990	5,417
		2000	5,805